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# Checklists and illustrative financial statements : not-for-profit organizations , April 2008

American Institute of Certified Public Accountants

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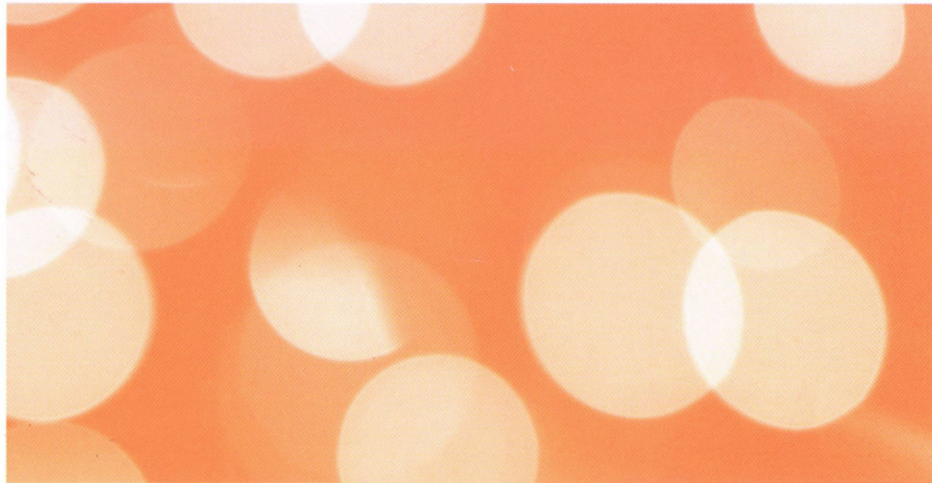
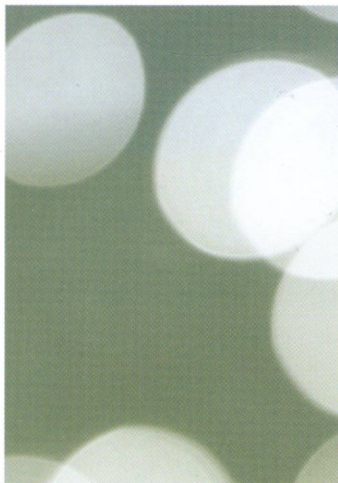
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CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

# Not-for-Profit Organizations

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

APRIL 2008

AICPA®





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*Checklists and Illustrative Financial Statements for Not-for-Profit Organizations* has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and has no official or authoritative status.

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# FSP Section 14,000

## *Checklists and Illustrative Financial Statements for Not-for-Profit Organizations*

### Acknowledgments

The AICPA gratefully appreciates the invaluable assistance Susan E. Budak, CPA, provided in updating and maintaining the guidance in this checklist.

.01 These checklists and illustrative financial statements are designed to be applied to nongovernmental not-for-profit organizations except for providers of health care services that follow the AICPA Audit and Accounting Guide *Health Care Organizations*. The term *not-for-profit organization* is defined in appendix D of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*, as:

An entity that possesses the following characteristics that distinguish it from a business enterprise: (a) contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return, (b) operating purposes other than to provide goods or services at a profit, and (c) absence of ownership interests like those of business enterprises. Not-for-profit organizations have those characteristics in varying degrees (Concepts Statement 4, paragraph 6). Organizations that clearly fall outside this definition include all investor-owned enterprises and entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance companies, credit unions, farm and rural cooperatives, and employee benefit plans (Concepts Statement 4, paragraph 7).

The term *nongovernmental* is explained in paragraph 1.03 of the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*. It says, "Nongovernmental organizations are all organizations other than governmental organizations." The description of a governmental organization is also found in paragraph 1.03 of the guide. That description, which was agreed to in a joint meeting of FASB and Governmental Accounting Standards Board (GASB) on March 13, 1996, states:

Public corporations and bodies corporate and politic are governmental organizations. Other organizations are governmental organizations if they have one or more of the following characteristics:

- a. Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments;
- b. The potential for unilateral dissolution by a government with the net assets reverting to a government; or
- c. The power to enact and enforce a tax levy.

Furthermore, organizations are presumed to be governmental if they have the ability to issue directly (rather than through a state or municipal authority) debt that pays interest exempt from federal taxation. However, organizations possessing only that ability (to issue tax-exempt debt) and none of the other governmental characteristics may rebut the presumption that they are governmental if their determination is supported by compelling, relevant evidence.

Governmental not-for-profit organizations are under the jurisdiction of the GASB. GASB 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, and GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, are the two

major statements that describe the accounting and financial reporting models for governmental not-for-profit organizations.

.02 SFAS 117 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. These financial statements present the organization's total assets, liabilities, and net assets; the balances of and changes in each of 3 classes of net assets—permanently restricted, temporarily restricted, and unrestricted; and the change in cash and cash equivalents.

.03 All not-for-profit organizations are required to report expenses on a functional basis, although that information need not appear on the face of the statement of activities. For example, organizations that receive little or no support from the general public, such as trade associations, may prefer to report expenses by natural classification (for example, salaries, employee benefits, supplies, and utilities) on the face of the statement of activities and report expenses by functional classification in the notes to financial statements. An additional reporting requirement is placed on voluntary health and welfare organizations, which are required to include a separate statement of functional expenses (presenting information about their expenses by both functional and natural classifications) as part of their general-purpose external financial statements.

.04 A wide variety of users are interested in the financial statements of not-for-profit organizations. Among the principal users are (1) contributors to the organization, (2) beneficiaries of the organization, (3) the organization's trustees or directors, (4) employees of the organization, (5) governmental units, (6) the organization's creditors and potential creditors, and (7) constituent organizations.

.05 A principal purpose of a not-for-profit organization's financial statements is to communicate the ways resources have been used to carry out the organization's objectives. While adequate measures of program accomplishment generally are not available in the context of present financial statements, the financial statements should identify the organization's principal programs and their costs. The financial statements of a not-for-profit organization should also help the user evaluate the organization's ability to continue to carry out its objectives in the future.

.06 Another important aspect of financial reporting for not-for-profit organizations is disclosure of the limitations placed by donors on use of resources. Many not-for-profit organizations receive resources restricted by the donor for particular purposes. The nature and extent of those restrictions determine the classification of resources as permanently restricted, temporarily restricted, or unrestricted. To facilitate observance of limitations, not-for-profit organizations often maintain their accounts using fund accounting, by which resources are classified for internal purposes into funds associated with specific activities or objectives. Each fund is a separate accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance, and changes in the fund balance. Although separate accounts may be maintained for each fund for internal purposes, financial statements prepared in accordance with SFAS 117 focus on the organization as a whole rather than on fund balances and changes in fund balances.

.07 These checklists and illustrative financial statements are for financial statements prepared in accordance with generally accepted accounting principles (GAAP). If other comprehensive basis of accounting (OCBOA) financial statements are presented, the provisions of Auditing Interpretation No. 1, "Evaluating the Adequacy of Disclosure and Presentation in Financial Statements Prepared in Conformity With an Other Comprehensive Basis of Accounting (OCBOA)," of AU section 623, *Special Reports* (AICPA, *Professional Standards*, vol. 1, AU sec. 9623.90–.95), should be considered. The interpretation, issued in January 1998 and revised in January 2005, applies to cash, modified cash, and income tax basis presentations. It addresses the summary of significant accounting policies; disclosures for financial statement items that are the same as, or similar to, those in GAAP statements; issues relating to financial statement presentation; and disclosure of matters not specifically identified on the face of the statements. The interpretation contains examples of how OCBOA disclosures, including presentation, may differ from those in GAAP financial statements.

.08 These checklists are for audits conducted in accordance with generally accepted auditing standards and assurance standards for nonissuers. Not-for-profit organizations are not issuers subject to oversight by the Public Company Accounting Oversight Board (PCAOB); thus, auditing standards issued by the PCAOB do not apply to audits of not-for-profit organizations. However, while not common, an auditor may be engaged to also follow PCAOB auditing standards in the audit of a not-for-profit organization. Refer to Auditing Interpretation No. 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508,



*Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .89–.92). If the audit is conducted in accordance with *Government Auditing Standards* (also referred to as the Yellow Book), the auditor should modify these checklists considering not only the guidance in PCAOB standards and Auditing Interpretation No. 18, but also the GAO Internet Notice at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm) titled *Guidance on Complying with Government Auditing Standards Reporting Requirements for the Report on Internal Control for Audits of Certain Entities Subject to the Requirements of the Sarbanes-Oxley Act of 2002* and *Government Auditing Standards*, and the discussion in the Notice to Readers and appendix A to chapter 4 of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*. If the auditor is engaged to audit both a not-for-profit organization's financial statements and management's assessment of the effectiveness of internal control over financial reporting in accordance with PCAOB auditing standards, refer to paragraphs 85–98 of PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Rules of the Board, "Standards") for the audit reports that should be used.

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**Note:** This publication was extracted from sections 14,000 through 14,600 of the AICPA *Financial Statement Preparation Manual* (FSP).

# FSP Section 14,100

## *Instructions*

### Purpose

.01 The checklists and illustrative financial statements included in this section have been developed by the AICPA Accounting and Auditing Publications Team as nonauthoritative technical practice aids to be used by preparers of not-for-profit organization financial statements prepared in conformity with generally accepted accounting principles (GAAP) and by practitioners who audit, review, or compile those financial statements as they evaluate the financial statements and the adequacy of disclosures. This section includes a financial statement and notes checklist, auditors' reports checklists, an accountants' reports checklist, and illustrative financial statements.

The checklists have been updated to include relevant accounting and auditing pronouncements through:

- Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*
- Revised FASB statements issued through April 30, 2008, including FASB Statement No. 141 (revised 2007), *Business Combinations*
- FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*
- FASB Technical Bulletin No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets*
- FASB Staff Positions issued through April 30, 2008
- FASB Emerging Issues Task Force (EITF) consensus positions adopted at meetings of the EITF held through April 30, 2008
- Practice Bulletin No. 15, *Accounting by the Issuer of Surplus Notes* (AICPA, *Technical Practice Aids*, PB sec. 12,150)
- AICPA Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance* (AICPA, *Professional Standards*, vol. 1, AU sec. 380)
- AICPA Statement of Position (SOP) 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (AICPA, *Technical Practice Aids*, ACC sec. 10,930)
- AICPA SOP 07-2, *Attestation Engagements That Address Specified Compliance Control Objectives and Related Controls at Entities That Provide Services to Investment Companies, Investment Advisers, or Other Service Providers* (AICPA, *Technical Practice Aids*, AUD sec. 14,430)
- Auditing Interpretation No. 1, "Communicating Deficiencies in Internal Control Over Compliance in an Office of Management and Budget (OMB) Circular A-133 Audit," of AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 9325 par. .01-.04)

- AICPA Statement on Standards for Accounting and Review Services No. 17, *Omnibus Statement on Standards for Accounting and Review Services—2008* (AICPA, *Professional Standards*, vol. 2)

The checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

## Instructions

.02 The checklists consist of a number of questions or statements that are accompanied by references to the applicable authoritative pronouncements. The checklists provide for checking off or initialing each question or point to show that it has been considered. Carefully review the topics listed and consider whether they represent potential disclosure items for the reporting entity for which you are preparing or auditing financial statements. Users should check or initial

- **Yes**—If the item is required and has been made appropriately.
- **No**—If the item is required but has not been made.
- **N/A**—If the item is not required to be made.

.03 Users may find it helpful to include references to the location in the financial report where each item marked “Yes” can be found. It also may be helpful to include on the checklists or elsewhere the reasons that items marked “N/A” do not apply. It is important that the effect of any “No” response be considered on the auditor’s report. A “No” response that is material to the financial statements may warrant a departure from an unqualified opinion as discussed in paragraphs .20–.64 of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1). If a “No” response is indicated, the authors recommend that a notation be made in the margin to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements). The right margin may be used for other remarks or comments as appropriate, including cross-referencing to applicable work papers where the support to a disclosure may be found.

.04 These checklists and illustrative financial statements have been prepared by the AICPA staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

.05 The use of these or any other checklists requires the exercise of individual professional judgment and should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of GAAP, generally accepted auditing standards, and other applicable standards and requirements. These checklists are not substitutes for original authoritative standards and requirements. Users of these checklists are urged to refer directly to applicable standards and requirements when appropriate. The checklists and illustrative materials are not all-inclusive and are not intended to present minimum requirements. Users of the checklists are encouraged to tailor them as required to meet specific circumstances of each particular engagement. Users who have further questions may call the AICPA Technical Hotline at 1-877-242-7212.



# FSP Section 14,200

## *Financial Statements and Notes Checklist*

**.01** This nonauthoritative checklist can be used by preparers of not-for-profit organization financial statements prepared in conformity with generally accepted accounting principles (GAAP) and by practitioners who audit, review, or compile those financial statements as they evaluate the adequacy of disclosures made in the basic financial statements and notes to the financial statements.

**.02** Explanation of References:

AAG =	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> (with conforming changes as of May 1, 2008)
ACC =	Reference to a section number in AICPA <i>Technical Practice Aids</i> , Statements of Position—Accounting
AUD =	Reference to a section number in AICPA <i>Technical Practice Aids</i> , Statements of Position—Auditing and Attestation
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
AU =	Reference to section number in AICPA, <i>Professional Standards</i> (vol. 1)
EITF =	Emerging Issues Task Force Abstracts
FIN =	Financial Accounting Standards Board (FASB) Interpretation
FTB =	FASB Technical Bulletin <sup>1</sup>
FSP =	FASB Staff Position
PB =	AICPA Accounting Standards Division Practice Bulletin
SFAS =	FASB Statement of Financial Accounting Standards
SOP =	AICPA Statement of Position
TPA =	Reference to a section number in AICPA, <i>Technical Practice Aids</i> , Technical Questions and Answers (TIS)

**.03** Some questions in this checklist do not cite a specific authoritative reference but indicate that the disclosure is generally accepted. Most organizations disclose that information even though a requirement to do so in the authoritative literature cannot be identified.

This checklist is organized into the sections listed below. Carefully review the topics listed and consider whether they represent potential disclosure items for the not-for-profit organization. Place a check mark by the topics or sections considered not applicable; these sections need not be completed. For example, if the organization does not have any extraordinary items, place a check by “Extraordinary Items” and skip this section when completing the checklist.

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<sup>1</sup> The FASB staff issues FTBs to provide guidance concerning the application of SFASs or FINs, APBs, or ARBs. FTBs do not establish new financial accounting and reporting standards or amend existing standards.

*Place ✓ by  
Applicable Sections*

- I. General
  - A. Titles and References \_\_\_\_\_
  - B. Accounting Policies and Other Disclosures \_\_\_\_\_
  - C. Accounting Changes and Error Corrections \_\_\_\_\_
  - D. Comparative Financial Statements \_\_\_\_\_
  - E. Related Entities \_\_\_\_\_
  - F. Business Combinations \_\_\_\_\_
  - G. Consolidated Financial Statements \_\_\_\_\_
  - H. Nonmonetary Transactions Other Than Contributions \_\_\_\_\_
  - I. Contingencies and Commitments \_\_\_\_\_
  - J. Risks and Uncertainties \_\_\_\_\_
  - K. Related Parties \_\_\_\_\_
  - L. Subsequent Events \_\_\_\_\_
  - M. Pension and Other Postretirement Benefit Plans \_\_\_\_\_
  - N. Extraordinary Items \_\_\_\_\_
  - O. Advertising Costs \_\_\_\_\_
  - P. Web Site Development Costs \_\_\_\_\_
  - Q. Costs to Exit or Dispose of an Activity \_\_\_\_\_
  - R. Fair Value Measurements \_\_\_\_\_
- II. Statement of Financial Position
  - A. General \_\_\_\_\_
  - B. Cash and Cash Equivalents \_\_\_\_\_
  - C. Investments Other Than Derivative Instruments \_\_\_\_\_
  - D. Derivative Instruments and Hedging Activities \_\_\_\_\_
  - E. Financial Instruments \_\_\_\_\_
  - F. Accounts, Notes, Contributions, and Loans Receivables \_\_\_\_\_
  - G. Beneficial Interests in Assets Held by Others \_\_\_\_\_
  - H. Inventories \_\_\_\_\_
  - I. Property and Equipment \_\_\_\_\_
  - J. Collections of Works of Art and Similar Items \_\_\_\_\_
  - K. Other Assets and Deferred Charges \_\_\_\_\_
  - L. Interfund Borrowings \_\_\_\_\_
  - M. Current Liabilities \_\_\_\_\_
  - N. Notes Payable and Other Debt \_\_\_\_\_
  - O. Leases as Lessee \_\_\_\_\_
  - P. Other Liabilities and Deferred Credits \_\_\_\_\_
  - Q. Agency Transactions \_\_\_\_\_
  - R. Restricted Resources \_\_\_\_\_
  - S. Mandatorily Redeemable Interests \_\_\_\_\_
- III. Statement of Activities
  - A. General \_\_\_\_\_
  - B. Revenue Recognition (Other Than Contributions) \_\_\_\_\_
  - C. Taxes \_\_\_\_\_
  - D. Refunds Due To and Advances From Third Parties \_\_\_\_\_
  - E. Donated or Contributed Services \_\_\_\_\_
  - F. Donated Materials and Facilities \_\_\_\_\_
  - G. Fund Raising \_\_\_\_\_
  - H. Contributions \_\_\_\_\_
  - I. Split-Interest Agreements \_\_\_\_\_

- J. Expenses \_\_\_\_\_
- K. Investments and Endowments \_\_\_\_\_
- IV. Additional Financial Statements
  - A. Statement of Cash Flows \_\_\_\_\_
  - B. Statement of Functional Expenses \_\_\_\_\_
- Auditors' Reports
- Auditors' Reports on Audits Performed Under *Government Auditing Standards* and Under OMB Circular A-133
- Accountants' Reports on Compiled or Reviewed Financial Statements
- Illustrative Financial Statements

## .04 Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
--	------------	-----------	------------

**I. General****A. Titles and References**

- |   |       |       |       |
|---|-------|-------|-------|
| 1. Are the financial statements suitably titled?<br>[AU 623.07]   | _____ | _____ | _____ |
| 2. Does each statement include a general reference that the notes are an integral part of the financial statement presentation?<br>[Generally Accepted]   | _____ | _____ | _____ |
| 3. For each period, are the following financial statements presented:   |       |       |       |
| a. Statement of financial position?   | _____ | _____ | _____ |
| b. Statement of activities?   | _____ | _____ | _____ |
| c. Statement of cash flows?   | _____ | _____ | _____ |
| d. Statement of functional expenses? (Only VHWOs are required to provide this statement. Other organizations are encouraged by the FASB to provide it.)<br>[SFAS 117 par. 1-2 and 6; AAG 3.01]                      | _____ | _____ | _____ |
| 4. If the primary component of the organization's mission is to receive resources as an agent, has presentation of the statement of cash flows as the first financial statement been considered?<br>[AAG 3.01 fn 1] | _____ | _____ | _____ |

**B. Accounting Policies and Other Disclosures**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Is a description of all significant accounting policies adopted and followed presented as an integral part of the financial statements?<br>[APB 22 par. 9]  | _____ | _____ | _____ |
| 2. If the organization prepared its financial statements on a comprehensive basis of accounting other than GAAP, was disclosure made of the basis of presentation and how that basis differs from GAAP?<br>[AU 623.10]                     | _____ | _____ | _____ |
| 3. Does disclosure of significant accounting policies encompass important judgments as to appropriateness of principles concerning recognition of revenue and allocation of asset costs to current and future periods?<br>[APB 22 par. 12] | _____ | _____ | _____ |



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22 par. 14; SFAS 154 par. C3]	_____	_____	_____
5. Is the need for disclosure of the impact of a new FASB statement issued but not yet effective where restatement of prior periods is required considered? [Interpretation No. 3 of AU 410 (AU 9410.13–.18)]	_____	_____	_____

### C. Accounting Changes and Error Corrections

1. If the organization makes a change in an accounting principle, is the change reported through retrospective application of the new accounting principle to all prior periods, unless it is impracticable to do so? [SFAS 154 par. 7]	_____	_____	_____
2. If the organization makes a change in an accounting principle, is the following information disclosed in the fiscal period in which the change is made:			
a. The nature of the change in accounting principle?	_____	_____	_____
b. The reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable?	_____	_____	_____
c. The method of applying the change?	_____	_____	_____
d. A description of the prior-period information that has been retrospectively adjusted, if any?	_____	_____	_____
e. The effects, in total and by class, of the change on change in net assets, and on the operating measure (if any), as well as on any other affected financial statement line item (except subtotals) for the current period and any prior periods retrospectively adjusted?	_____	_____	_____
f. The cumulative effect of the change on total net assets and on each class of net assets in the statement of financial position, as of the beginning of the earliest period presented?	_____	_____	_____
g. If retrospective application to all prior periods is impracticable, disclosure of the reasons therefore, and a description of the alternative method used to report the change?	_____	_____	_____
h. If indirect effects of a change in accounting principle are recognized			
(1) a description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period?	_____	_____	_____
(2) unless impracticable, the amount of the total recognized indirect effects of the accounting change that are attributable to each prior period presented? [SFAS 154 par. 17]	_____	_____	_____
3. If the change in accounting principle has no material effect in the period of change but is reasonably certain to have a material effect in later periods, are the disclosures required by questions 2a–b provided whenever the financial statements of the period of change are presented? [SFAS 154 par. 17]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. If the organization makes a change in an accounting estimate, is the change accounted for in (a) the period of change if the change affects that period only or (b) the period of change and future periods if the change affects both? ( <i>Note:</i> A change in accounting estimate cannot be accounted for by restating or retrospectively adjusting amounts reported in financial statements of prior periods or by reporting pro forma amounts for prior periods.) [SFAS 154 par. 19]	_____	_____	_____
5. If the organization makes a change in an accounting estimate that either (1) will affect several future periods or (2) is material and is made in the ordinary course of accounting for items such as uncollectible accounts, is the following information disclosed in the fiscal period in which the change is made:			
a. The effects, in total and by class, of the change on change in net assets, and on the operating measure (if any), for the current period?	_____	_____	_____
b. If the change in estimate is effected by changing an accounting principle, the information in the preceding question? [SFAS 154 par. 22]	_____	_____	_____
6. If a change in accounting estimate has no material effect in the period of change but is reasonably certain to have a material effect in later periods, is a description of the change in estimate provided whenever the financial statements of the period of change are presented? [SFAS 154 par. 22]	_____	_____	_____
7. If a change in the reporting entity occurs, is the change retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods? [SFAS 154 par. 23]	_____	_____	_____
8. If a change in the reporting entity occurs, is the following information disclosed in the fiscal period in which the change is made:			
a. The nature of the change and the reason for it?	_____	_____	_____
b. The effects, in total and by class, of the change on change in net assets, on change in net assets before extraordinary items (if any), and on the operating measure (if any), for all the periods presented? [SFAS 154 par. 24]	_____	_____	_____
9. If a change in reporting entity has no material effect in the period of change but is reasonably certain to have a material effect in later periods, is the nature of the change and the reason for it disclosed whenever the financial statements of the period of change are presented? [SFAS 154 par. 24]	_____	_____	_____
10. If an error in the financial statements of a prior period is discovered subsequent to their issuance, is the correction of the error reported as a prior-period adjustment by restating the prior-period financial statements? [SFAS 154 par. 25]	_____	_____	_____
11. If the financial statements are restated to correct an error, is the following information disclosed:			
a. The fact that the previously issued financial statements have been corrected? [SFAS 154 par. 26]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The nature of the error? [SFAS 154 par. 26]	_____	_____	_____
c. The effect of the correction on each financial statement line item for each prior period presented? [SFAS 154 par. 26]	_____	_____	_____
d. The cumulative effect, in total and by class, of the correction on net assets as of the beginning of the earliest period presented? [SFAS 154 par. 26]	_____	_____	_____
e. The effects, in total and by class, of the correction on change in net assets for each of the periods presented? [APB 9 par. 26]	_____	_____	_____
f. For single period financial statements, the effects, in total and by class, of the correction on change in net assets of the preceding year? [APB 9 par. 26]	_____	_____	_____

**D. Comparative Financial Statements**

1. Has presentation of comparative statements been considered? [SFAS 117 par. 69; ARB 43 ch. 2A par. 1–2]	_____	_____	_____
2. Are the disclosures included in the prior year's financial statements repeated, or at least referred to, to the extent that they continue to be of significance? [ARB 43 ch. 2A par. 2]	_____	_____	_____
3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43 ch. 2A par. 3, as amended by SFAS 154 par. C2]	_____	_____	_____
4. If prior year information is summarized and does not include the minimum information required by SFAS 117, <i>Financial Statements of Not-for-Profit Organizations</i> , and AAG, is the nature of the prior year information described by appropriate titles and in the notes? [AAG 3.20]	_____	_____	_____

**E. Related Entities**


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**Note:** SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, does not apply to not-for-profit organizations, nor do its amendments to other standards when applied by not-for-profit organizations. Not-for-profit organizations continue to apply the guidance in ARB No. 51, *Consolidated Financial Statements*, before the amendments made by SFAS 160, the guidance in SOP 94-3, *Reporting of Related Entities by Not-for-Profit Organizations* (AICPA, *Technical Practice Aids*, ACC sec. 10,610), and other applicable standards, until the FASB issues interpretative guidance.

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. If organizations have a relationship characterized by either (a) ownership of a majority voting interest as discussed in SFAS 94, <i>Consolidation of All Majority-owned Subsidiaries—an amendment of ARB No. 51, with related amendments of APB Opinion No. 18 and ARB No. 43, Chapter 12</i> or (b) control via majority ownership or voting interest in the board of the other entity, are consolidated financial statements presented in accordance with SOP 94-3? (Refer to section I.G., “Consolidated Financial Statements.”) [SOP 94-3 par. 8–11 (ACC 10,610.08–.11)]	_____	_____	_____
2. If organizations have a relationship that is characterized by ownership of an investment in voting stock that gives one significant influence over the operating and financial policies of the other (generally 20 percent or more of the voting stock), is the investment accounted for under the equity method? (Refer to section II.C, “Investments Other Than Derivative Instruments.”) [SOP 94-3 par. 6–7 (ACC 10,610.06–.07)]	_____	_____	_____
3. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting entity and one or more other enterprises are under common ownership or management control, and the existence of the control could result in operating results or financial position of the reporting entity being significantly different from those that would have been obtained if the entity were autonomous? [SFAS 57 par. 4]	_____	_____	_____
4. If the organization controls a separate not-for-profit organization through a form other than majority ownership or voting interest and has an economic interest in that other organization and consolidated financial statements are not presented, do disclosures include			
a. identification of the other organization and the nature of its relationship with the reporting organization that results in control?	_____	_____	_____
b. summarized financial data of the other organization including: total assets, liabilities, net assets, revenue, and expenses, and resources that are held for the benefit of the reporting organization or that are under its control?	_____	_____	_____
c. disclosures required by SFAS 57, <i>Related Party Disclosures</i> , as described in question 2 and in section I.K, “Related Parties?” [SOP 94-3 par. 12 (ACC 10,610.12)]	_____	_____	_____
5. If either control or economic interest exists, but not both, are the disclosures required by SFAS 57 as described in question 2 and in section I.K, “Related Parties,” made and are the entities consolidated only if they were consolidated prior to the issuance of SOP 94-3 in conformity with the guidance in SOP 78-10? [SOP 94-3 par. 13 (ACC 10,610.13)]	_____	_____	_____
6. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [SFAS 13 par. 29]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the organization has an investment in an unincorporated legal entity, such as a partnership or a joint venture, is that investment accounted for using either full consolidation, the equity method, or cost, as appropriate, but not the pro-rata method of consolidation? [EITF 00-1]	_____	_____	_____
8. If the organization transferred assets to a financially interrelated organization (as described in paragraph 13 of SFAS 136, <i>Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others</i> ) and specified itself or its affiliate as the beneficiary, has it disclosed the following for each period in which a statement of financial position is presented:			
a. The identity of the financially interrelated organization to which the transfer was made?	_____	_____	_____
b. Whether variance power was granted to the financially interrelated organization and, if so, a description of the terms of the variance power?	_____	_____	_____
c. The terms under which amounts will be distributed to the organization or its affiliate?	_____	_____	_____
d. The aggregate amount recognized in the statement of financial position for those transfers and whether that amount is recorded as an interest in the net assets of the financially interrelated organization or as another asset (such as a beneficial interest in assets held by others or as a refundable advance)? [SFAS 136 par. 19]	_____	_____	_____
9. If the transfer in question 8 was made in a year under audit, is it reported on a separate line in the statement of activities if it is an equity transaction (that is, it meets the 3 conditions in paragraph 18 of SFAS 136)? [SFAS 136 par. 18]	_____	_____	_____

**Note:** EITF 07-1, "Accounting for Collaborative Arrangements," provides display and disclosure guidance for a collaborative arrangement, which is defined in the consensus as a contractual arrangement that involves a joint operating activity that involves 2 (or more) parties who are both (a) active participants in the activity and (b) exposed to significant risks and rewards dependent on the commercial success of the activity. EITF 07-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

10. Are costs incurred and revenue generated from transactions with third parties (that is, parties that do not participate in the collaborative arrangement) reported in the organization's statement of activities pursuant to the guidance in EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent?" [EITF 07-1 par. 16]	_____	_____	_____
11. If the organization is a participant to a collaborative arrangement, has it disclosed the following information (separately for any arrangement that is individually significant):			
a. Information about the nature and purpose of its collaborative arrangements?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The organization's rights and obligations under the collaborative arrangements?	_____	_____	_____
c. The organization's accounting policy for collaborative arrangements?	_____	_____	_____
d. The classification in the statement of activities and amounts attributable to transactions arising from the collaborative arrangement between participants for each period a statement of activities is presented? [EITF 07-1 par. 21]	_____	_____	_____

#### F. Business Combinations

**Note:** SFAS 141 (revised), *Business Combinations*, supersedes several pronouncements including APB 16, *Business Combinations*. However, neither that statement nor its predecessor, SFAS 141, applies to combinations of 2 or more not-for-profit organizations or to the acquisition of a for-profit business entity by a not-for-profit organization. Thus, GAAP does not change for those types of combinations. Not-for-profit organizations should continue to follow the guidance in AAG and in APB 16 as amended by pronouncements prior to the issuance of SFAS 141(R).

1. If a business combination occurred during the period and met the specified conditions for a pooling-of-interests, do the statements and notes include the required disclosures? ( <b>Note:</b> Not-for-profit organizations are, under certain circumstances, permitted to use the pooling-of-interests method, even though they generally do not issue common stock.) [AAG 1.15–.16; APB 16 par. 45–48 and 63–65]	_____	_____	_____
2. If a business combination does not meet the specified conditions for a pooling-of-interests			
a. is the combination accounted for by the purchase method? [APB 16 par. 66–88 and 90–94; SFAS 38; FIN 4 concerns research and development activities of an acquired subsidiary]	_____	_____	_____
b. do the statements and notes include the required disclosures? [APB 16 par. 78 and 95–96]	_____	_____	_____

#### G. Consolidated Financial Statements

**Note:** SFAS 160 does not apply to not-for-profit organizations, nor do its amendments to other standards when applied by not-for-profit organizations. Not-for-profit organizations continue to apply the guidance in ARB No. 51 before the amendments made by SFAS 160, the guidance in SOP 94-3, and other applicable standards until the FASB issues interpretative guidance.

1. If consolidated financial statements are presented			
a. is the consolidation policy disclosed? [ARB 51 par. 5; APB 22 par. 12–14, as amended by SFAS 95 par. 152]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. in instances in which the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations? [ARB 51 par. 4]	_____	_____	_____
c. are restrictions made by entities outside of the reporting entity on distributions from the controlled not-for-profit organization to the reporting organization and any resulting unavailability of the net assets of the controlled not-for-profit organization for use by the reporting organization disclosed? [SOP 94-3 par. 14 (ACC 10,610.14)]	_____	_____	_____

#### H. Nonmonetary Transactions Other Than Contributions

1. Do disclosures for nonmonetary transactions during the period include			
a. nature of the transactions?	_____	_____	_____
b. basis of accounting for the assets transferred?	_____	_____	_____
c. gains or losses recognized on the transfers? [APB 29 par. 28; FIN 30]	_____	_____	_____

#### I. Contingencies and Commitments

1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [SFAS 5 par. 9]	_____	_____	_____
2. For loss contingencies not accrued, do disclosures indicate			
a. nature of the contingency?	_____	_____	_____
b. estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5 par. 10]	_____	_____	_____
3. If exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures include the excess amount or state that no estimate is possible? [SFAS 5 par. 10]	_____	_____	_____
4. Are gain contingencies adequately disclosed to avoid any misleading implications about likelihood of realization? [SFAS 5 par. 17]	_____	_____	_____
5. Is there adequate disclosure of commitments such as those for capital expenditures, grants to be awarded to others, restrictive covenants in financing agreements, unused letters of credit, inventory purchase agreements, and employment contracts? [SFAS 5 par. 18–19]	_____	_____	_____
6. If, after December 31, 2002, the organization entered into or modified a guarantee, including a guarantee of the indebtedness of others, is the stand-ready obligation reported as a liability? [FIN 45 par. 8–9; SFAS 157 par. E28]	_____	_____	_____
7. Do disclosures about guarantees, including guarantees of the indebtedness of others, include the following information:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The nature of the guarantee, including the approximate term, how the guarantee arose, and the events or circumstances that would require the guarantor to perform under the guarantee?	_____	_____	_____
b. The maximum potential amount of the future payments (undiscounted) that the organization would be required to make, or if the guarantee provides no limitation on future payments, that fact?	_____	_____	_____
c. The reasons why the maximum future payments cannot be estimated, if the organization is unable to estimate that amount?	_____	_____	_____
d. The current carrying amount of the liability?	_____	_____	_____
e. The nature of any recourse provisions that would enable the organization to recover from third parties any amounts paid under the guarantee, and the extent to the proceeds are expected to cover the amount in the preceding question 7b?	_____	_____	_____
f. A description of any assets (collateral) that can be liquidated to recover amounts paid under the guarantee, and the extent to which the proceeds from liquidation are expected to cover the amount in the preceding question 7b? [SFAS 5 par. 12; FIN 45 par. 13]	_____	_____	_____
8. Are environmental remediation obligations and related assets for third-party recoveries reported and disclosed in accordance with SOP 96-1, <i>Environmental Remediation Liabilities</i> (AICPA, <i>Technical Practice Aids</i> , ACC sec. 10,680)? [SOP 96-1 par. 155–170 (ACC 10,680.155–.170)]	_____	_____	_____
9. Are encumbrances, appropriations of fund balances, unspecified reserves, and other commitments not meeting the criteria of SFAS 5, <i>Accounting for Contingencies</i> , paragraph 8 not reported as expenses or liabilities? ( <i>Note:</i> These may be reported as segregations of net assets on the statement of financial position.) [SFAS 5 par. 14–15; SFAS 117 par. 16; AAG 11.03 fn 2]	_____	_____	_____
10. If the organization has failed to maintain an appropriate composition of cash or other assets in amounts needed to comply with all donor restrictions, are the amounts and circumstances disclosed? [AAG 3.50 and 4.05]	_____	_____	_____
11. If there is a reasonable possibility that noncompliance with donor-imposed restrictions has resulted in a material contingent liability having been incurred at the financial statement date, could lead to a material loss of revenue, or could cause inability to continue as a going concern, are the amounts and circumstances disclosed? [AAG 3.50]	_____	_____	_____
12. Is disclosure made of conditions that raise questions about the organization's ability to continue in existence for a reasonable period of time, and any mitigating factors, including management's plans? [AU 341.10–.11]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>J. Risks and Uncertainties</b>			
1. Is a description of the principal services/activities performed by the organization, including a description of each of its major classes of programs and the relative importance of each, and the revenue sources for the organization's services included in the financial statements? [SOP 94-6 par. 10 (ACC 10,640.10); AAG 13.31]	_____	_____	_____
2. Is an explanation that the preparation of financial statements in conformity with GAAP requires the use of management's estimates included in the financial statements? [SOP 94-6 par. 11 (ACC 10,640.11)]	_____	_____	_____
3. Is disclosure regarding an estimate made when known information available prior to the issuance of the financial statements indicates that it is at least reasonably possible that a change in the estimate will have a material effect on the financial statements within one year and both of the criteria in SOP 94-6, <i>Disclosure of Certain Significant Risks and Uncertainties</i> (AICPA, <i>Technical Practice Aids</i> , ACC sec. 10,640), paragraph 13 are met? [SOP 94-6 par. 13 (ACC 10,640.13); FSP SOP 94-6-1 par. 11]	_____	_____	_____
4. Does the disclosure in the preceding question 3 indicate the nature of the uncertainty including an indication that it is at least reasonably possible that a change in estimate will occur in the near term? [SOP 94-6 par. 14 (ACC 10,640.14)]	_____	_____	_____
5. Has the optional disclosure been considered about the factors that cause the estimate in the preceding question 3 to be sensitive to change? [SOP 94-6 par. 14 (ACC 10,640.14)]	_____	_____	_____
6. If the organization decides that both criteria in SOP 94-6 paragraph 13 are not met because the organization uses risk-reduction techniques to mitigate losses or the uncertainty that may result from future events, have the optional disclosures in SOP 94-6 paragraph 15 been considered? [SOP 94-6 par. 15 (ACC 10,640.15)]	_____	_____	_____
7. Is disclosure made of the concentrations described in paragraph 22 of SOP 94-6 (including concentrations of contributions from a particular donor or fund raising event; concentrations of sources of labor, material, or services; or geographic concentrations), if, based on information known to management prior to issuance of the financial statements, the criteria in paragraph 21 are met? [SOP 94-6 par. 21-.22 and .24 (ACC 10,640.21-.22 and .24); FSP SOP 94-6-1 par. 10-11]	_____	_____	_____
<b>K. Related Parties</b>			
1. For related-party transactions, do disclosures include			
a. the nature of the relationship involved (for example, affiliate companies and officers)?	_____	_____	_____
b. a description of the transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a statement of activity is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. the dollar amount of transactions for each of the periods for which a statement of activities is presented and the effects of any change in the method of establishing the terms from that used in the preceding period?	_____	_____	_____
d. amounts due from or to related parties as of the date of each statement of financial position presented and, if not otherwise apparent, the terms and manner of settlement? [SFAS 57 par. 2–4]	_____	_____	_____
2. If management represents that related-party transactions were consummated on terms equivalent to those in an arms-length transaction, can that representation be substantiated? [SFAS 57 par. 3]	_____	_____	_____

**L. Subsequent Events**

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence about conditions that existed at the statement of financial position date? [SFAS 5 par. 8; AU 560.03–.04 and .07; AU 561.01–.10]	_____	_____	_____
2. Are subsequent events that provide evidence about conditions that did not exist at the statement of financial position date, but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [SFAS 5 par. 11; APB 16 par. 61; AU 560.05–.07; AU 561.01–.10]	_____	_____	_____
3. If the criteria in paragraph 30 of SFAS 144, <i>Accounting for the Impairment or Disposal of Long-Lived Assets</i> , for a long-lived asset (disposal group) classified as held for sale are met after the date of the statement of financial position but before the issuance of the financial statements			
a. is the asset (group) classified as held and used?	_____	_____	_____
b. is the carrying amount(s) of the major classes of assets and liabilities included as part of the disposal group disclosed in the notes?	_____	_____	_____
c. is a description of the facts and circumstances leading to the expected disposal and the expected manner and timing of the disposal included in the notes? [SFAS 144 par. 33]	_____	_____	_____

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**Note:** Consider the appropriateness of dual dating the auditor's report if a subsequent event is disclosed in the financial statements.  
[AU 530.05]

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**M. Pension and Other Postretirement Benefit Plans**


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**Note:** The requirements listed in the following questions are for a nonpublic entity as defined in appendix E of SFAS 132, *Employers' Disclosures about Pension and Other Postretirement Benefits—an amendment of FASB Statements No. 87, 88, and 106* (revised 2003), as most not-for-profit organizations are expected to meet that definition. If the not-for-profit organization is a public entity—for example, because it makes a filing with a regulatory agency in

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>preparation for the sale of debt securities in a public market—or if it prefers to make an expanded set of disclosures, see SFAS 132(R) paragraphs 5 and 7 and SFAS 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)</i>, paragraph E1. For fiscal periods beginning after December 15, 2006, a not-for-profit organization is also a public entity if it is a conduit bond obligor for conduit debt securities that are traded in a public market. (For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35, <i>Accounting and Reporting by Defined Benefit Pension Plans</i>, as amended.)</p>			
<p><b>Note:</b> SFAS 158 requires employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their statement of financial position. It also requires that employers measure plan assets and obligations as of the date of their financial statements. SFAS 158 has multiple effective dates. The requirement to recognize the funded status of a defined benefit postretirement plan and the related disclosure requirements were effective for not-for-profit organizations as of the end of the fiscal year ending after June 15, 2007. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. Earlier application is encouraged.</p>			
<p>1. If there is a defined benefit plan, do disclosures include</p>			
<p>a. the benefit obligation, fair value of plan assets, and funded status of the plan? [SFAS 132(R) par. 8a]</p>	_____	_____	_____
<p>b. employer contributions, participant contributions and benefits paid? [SFAS 132(R) par. 8b]</p>	_____	_____	_____
<p>c. the amounts recognized in the statement of financial position, showing separately the postretirement benefit assets and current and noncurrent postretirement benefit liabilities? [SFAS 132(R) par. 8g, as amended by SFAS 158 par. E1(m)]</p>	_____	_____	_____
<p>d. the amounts recognized for the period as changes in unrestricted net assets arising from a defined benefit plan but not yet included in net periodic benefit cost, pursuant to paragraphs 25 and 29 of SFAS 87, <i>Employers' Accounting for Pensions</i>, and paragraphs 52 and 56 of SFAS 106, <i>Employers' Accounting for Postretirement Benefits Other Than Pensions</i>, as amended, showing separately the net gain or loss and net prior service cost or credit? [SFAS 132(R) par. 8h, as amended by SFAS 158 par. E1(n)]</p>	_____	_____	_____
<p>e. the reclassification adjustments of the net gain or loss, the net prior service cost or credit, and the amortization of the net transition asset or obligation as those amounts are recognized as components of net periodic benefit cost? [SFAS 132(R) par. 8h, as amended by SFAS 158 par. E1(n)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>f.</i> the amounts that have been recognized as changes in unrestricted net assets arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [SFAS 132(R) par. 8hh, as amended by SFAS 158 par. E1(o)]</p>	_____	_____	_____
<p><i>g.</i> on a weighted-average basis, the following assumptions used in the accounting for the plans: assumed discount rate, rate of compensation increase (for pay-related plans), and the expected long-term rate of return on plan assets specifying, in a tabular format, the assumptions used to determine the benefit obligation and the net benefit cost? [SFAS 132(R) par. 8i]</p>	_____	_____	_____
<p><i>h.</i> the assumed health care cost trend rate(s) for the next year used to measure the expected costs of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? [SFAS 132(R) par. 8k]</p>	_____	_____	_____
<p><i>i.</i> if applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? [SFAS 132(R) par. 8l]</p>	_____	_____	_____
<p><i>j.</i> the nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? [SFAS 132(R) par. 8m]</p>	_____	_____	_____
<p><i>k.</i> the amounts that have been recognized as changes in unrestricted net assets arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost that are expected to be recognized as components of net periodic benefit costs over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? [SFAS 132(R) par. 8n, as amended by SFAS 158 par. E1(q)]</p>	_____	_____	_____
<p><i>l.</i> the amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? [SFAS 132(R) par. 8o, as amended by SFAS 158 par. E1(r)]</p>	_____	_____	_____
<p><i>m.</i> as of the measurement date used, the percentage of the fair value that each major category of plan assets (for example, equity securities, debt securities, real estate, etc.) compose of total plan assets held? [SFAS 132(R) par. 8c(1)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
n. additional categories of plan assets and additional information about specific assets within a category if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long-term rate of return on assets? ( <i>Encouraged, but not required.</i> ) [SFAS 132(R) par. 8c(4)]	_____	_____	_____
o. the following information about the plan's investment policies and strategies:			
(1) Target allocation percentages or range of percentages for each major category of plan assets, presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable?	_____	_____	_____
(2) Factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations? [SFAS 132(R) par. 8c(2)]	_____	_____	_____
p. a narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption (for example, the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined)? [SFAS 132(R) par. 8c(3)]	_____	_____	_____
q. for defined benefit pension plans, the accumulated benefit obligation? [SFAS 132(R) par. 8d]	_____	_____	_____
r. the benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? ( <i>Note:</i> The expected benefits should be estimated based on the same assumptions used to measure the organization's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.) [SFAS 132(R) par. 8e]	_____	_____	_____
s. the best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year (that is, beginning after the date of the latest statement of financial position presented)? ( <i>Note:</i> Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions.) [SFAS 132(R) par. 8f]	_____	_____	_____
t. if more than one defined benefit plan exists			
(1) are the preceding required disclosures either (a) aggregated for all of the employer's single-employer defined benefit pension plans and all of the employer's defined benefit postretirement			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
plans or (b) disaggregated in groups, so as to provide the most useful information? [SFAS 132(R) par. 6; SFAS 158 par. E1(k)]	_____	_____	_____
(2) if plans with assets in excess of accumulated benefit obligations are aggregated with plans that have accumulated benefit obligations that exceed plan assets and the required disclosures are combined, are the following amounts disclosed:			
(a) The aggregate benefit obligation and the aggregate fair value of plan assets disclosed for plans with benefit obligations in excess of plan assets? [SFAS 132(R) par. 6; SFAS 158 par. E1(k)]	_____	_____	_____
(b) The aggregate pension accumulated benefit obligation and the aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets? [SFAS 132(R) par. 6; SFAS 158 par. E1(k)]	_____	_____	_____
2. If there are defined contribution pension or other defined contribution postretirement plans, do the disclosures include the following items:			
a. The amount of costs recognized for those plans during the period, disclosed separately from the amount of costs for defined benefit plans? [SFAS 132(R) par. 11]	_____	_____	_____
b. A description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132(R) par. 11]	_____	_____	_____
3. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan and the substance of the plan is to provide a defined benefit, are questions 1a–t followed? [SFAS 87 par. 66, as amended]	_____	_____	_____
4. If there is a multiemployer pension or other postretirement plan, do disclosures include			
a. the amount of contributions to multiemployer plans during the period? [SFAS 132(R) par. 12]	_____	_____	_____
b. a description of the nature and effect of any changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [SFAS 132(R) par. 12]	_____	_____	_____
c. if the situation arises where the withdrawal from a multiemployer pension plan may result in the employer having an obligation to the plan for a portion of its unfunded benefit obligations that is either probable or reasonably possible, are the provisions of SFAS 5 applied? [SFAS 87 par. 70; SFAS 132(R) par. 13]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. are the provisions of SFAS 5 applied if the situation arises where withdrawal from a multiemployer postretirement benefit plan may result in an employer's having an obligation to the plan for a portion of the plan's unfunded accumulated postretirement benefit obligation and it is probable or reasonably possible that			
(1) an employer would withdraw from the plan under circumstances that would give rise to an obligation?	_____	_____	_____
(2) an employer's contribution to the fund would be increased during the remainder of the shortfall in the funds necessary to maintain the negotiated level of benefit coverage? [SFAS 106 par. 83; SFAS 132(R) par. 13]	_____	_____	_____
5. Until an employer is able to determine whether benefits provided by its prescription drug plan are actuarially equivalent to Medicare Part D, does it disclose the following in financial statements for interim or annual periods:			
a. The existence of the Medicare Prescription Drug, Improvement and Modernization Act of 2003?	_____	_____	_____
b. The fact that measures of the accumulated postretirement benefit obligation (APB) or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the act? [FSP 106-2]	_____	_____	_____
6. In interim and annual financial statements for the first period in which an employer includes the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 subsidy in measuring the APB and the first period in which an employer includes the effects of the subsidy in measuring net periodic postretirement benefit cost, does it disclose the following:			
a. The reduction in the APB for the subsidy related to benefits attributed to past service?	_____	_____	_____
b. The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period? That effect includes (1) any amortization of the actuarial experience gain in question 6a as a component of the net amortization called for by paragraph 59 of SFAS 106, (2) the reduction in current period service cost due to the subsidy, and (3) the resulting reduction in interest cost on the APB as a result of the subsidy.	_____	_____	_____
c. Any other disclosures required by paragraph 5(r) of SFAS 132(R)? Paragraph 5(r) of SFAS 132(R) requires disclosure of "an explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this Statement." [FSP 106-2]	_____	_____	_____
7. For purposes of the disclosures required by paragraphs 5(a) and 5(f) of SFAS 132(R), does an employer disclose gross benefit payments (paid and expected, respectively), including prescription drug benefits, and			



separately the gross amount of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 subsidy receipts (received and expected, respectively)?

[FSP 106-2]

8. If the organization terminates a defined benefit plan and (a) contributes the assets withdrawn to a defined contribution plan, (b) the amount contributed is in excess of the employer's required (or maximum) annual contribution to the plan, and (c) the risk and rewards of the ownership of the assets in excess are retained by the employer, were the following considered for the defined contribution plan:

a. Is the excess contribution that is not allocated to individual participants accounted for as an asset regardless of the source of funds?

b. Is the unallocated amount treated as if it were part of the employer's investment portfolio and recorded as an asset?

(1) Is the investment return attributed to such securities including dividends, interest, and gains and losses reported in a manner consistent with the employer's reporting of similar items?

[EITF 86-27]

#### N. Extraordinary Items

1. Are extraordinary items segregated and shown on the face of the statement of activities using the caption "extraordinary items"?

2. Are descriptive captions and amounts presented for individual extraordinary events or transactions, preferably on the face of the statement of activities?

3. Do disclosures include descriptions of extraordinary events or transactions and the principal items entering into determination of extraordinary gains or losses?

[APB 30 par. 11]

4. For an adjustment of an extraordinary item reported in a prior period

a. is the adjustment classified separately as an extraordinary item in the current period?

b. are the nature, origin, and amount of the item disclosed?

[SFAS 16 par. 16(c)]

#### O. Advertising Costs

**Note:** Fund raising by nonprofit organizations is not considered advertising. [SOP 93-7 par. 22 fn 4 (ACC 10,590.22 fn 4)]

1. Do the disclosures for advertising costs include

a. the accounting policy selected from the 2 alternatives in paragraph 26 of SOP 93-7, *Reporting on Advertising Costs* (AICPA, *Technical Practice Aids*, ACC sec. 10,590), as interpreted by PB 13, *Direct-Response Advertising and Probable Future Benefits* (AICPA, *Technical Practice Aids*, PB sec. 12,130), including whether such costs are expensed as incurred or the first time the advertising takes place?

Yes    No    N/A

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\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. a description of the direct-response-advertising reported as assets (if any), the related accounting policy, and the amortization method and period?	_____	_____	_____
c. the amount charged to advertising expense for each statement of activities presented, with separate disclosure of amounts, if any, representing a write-down of the capitalized advertising costs to net realizable value and the reasons for the write-down?	_____	_____	_____
d. the amount of advertising reported as assets in each statement of financial position presented? [SOP 93-7 par. 49 (ACC 10,590.49)]	_____	_____	_____

**P. Web Site Development Costs**

1. Are Web site development costs incurred in the planning stage expensed as incurred?  
[EITF 00-2]
2. Are costs of software used to operate the Web site accounted for consistent with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (AICPA, *Technical Practice Aids*, ACC sec. 10,720), unless a plan exists to market the software externally?  
[EITF 00-2]
3. Are costs incurred to develop graphics (broadly defined as the "look and feel" of the Web page) accounted for consistent with SOP 98-1, unless a plan exists to market them externally?  
[EITF 00-2]
4. Are costs of operating the Web site accounted for in the same manner as other operating costs?  
[EITF 00-2]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**Q. Costs to Exit or Dispose of an Activity**

1. Are costs associated with an exit or disposal activity that does not involve a discontinued operation included in income from operations (if presented)?  
[SFAS 146 par. 18]
2. Are costs associated with an exit or disposal activity that involves a discontinued operation included in the results of discontinued operations?  
[SFAS 146 par. 18]
3. If an event or circumstance occurs that discharges or removes the organization's responsibility to settle a liability for a cost associated with an exit or disposal activity recognized in a prior period, are the related costs reversed through the same line item(s) in the statement of activities used when those costs were recognized initially?  
[SFAS 146 par. 19]
4. In the period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed, do the notes to the financial statements describe the exit or disposal activity, including the facts and circumstances leading to the expected activity and the expected completion date?  
[SFAS 146 par. 20]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. For each major type of cost associated with the exit or disposal activity (for example, one-time termination benefits, contract termination costs, and other associated costs), has the organization made the following disclosures:			
a. The total amount expected to be incurred in connection with the activity?	_____	_____	_____
b. The amount incurred in the period?	_____	_____	_____
c. The cumulative amount incurred to date?	_____	_____	_____
d. A reconciliation of the beginning and ending liability balances showing separately the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustments to the liability with an explanation of the reason(s) therefore?	_____	_____	_____
e. The line item(s) in the statement of activities in which the costs are aggregated? [SFAS 146 par. 20]	_____	_____	_____
6. If a liability for a cost associated with the exit or disposal activity is not recognized because its fair value cannot be reasonably estimated, is that fact and the reasons therefor disclosed? [SFAS 146 par. 20]	_____	_____	_____

#### R. Fair Value Measurements

**Notes:** SFAS 157, *Fair Value Measurements*, provides guidance for how to measure the fair value of financial and nonfinancial assets and liabilities. It replaces the more general guidance for determining fair value currently found in many existing FASB standards. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. However, FSP FAS 157-2, *Effective Date of FASB Statement No. 157*, delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). For items within its scope, FSP FAS 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008.

SFAS 159, *The Fair Value Option for Financial Assets and Liabilities—Including an amendment of FASB Statement No. 115*, permits an organization to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in the statement of activities as those changes occur. SFAS 159 is effective as of the beginning of an organization's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the organization also elects to apply the provisions of SFAS 157.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Has the organization made the following disclosures for assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, investments) for each period separately for each major category of assets and liabilities:			
a. The fair value measurements at the reporting date?	_____	_____	_____
b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)?	_____	_____	_____
c. Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in changes in net assets, and a description of where the gains or losses included in changes in net assets are reported in the statement of activities:			
(1) Has the organization made the following disclosures for assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, investments) for each period separately for each major category of assets and liabilities:	_____	_____	_____
(2) Purchases, sales, issuances, and settlements (net)?	_____	_____	_____
(3) Transfers in or out or both of level 3 (for example, transfers due to changes in the observability of significant inputs)?	_____	_____	_____
d. The amount of the total gains or losses for the period in subparagraph (c)(1) included in changes in net assets that is attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of activities?	_____	_____	_____
e. In annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period? [SFAS 157 par 32]	_____	_____	_____
2. Has the organization made the following disclosures for assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets) for each period separately for each major category of assets and liabilities:			
a. The fair value measurements recorded during the period and the reasons for the measurements?	_____	_____	_____
b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)?	_____	_____	_____
c. For fair value measurements using significant unobservable inputs (level 3), a description of the inputs and the information used to develop the inputs?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. In annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes, if any, in the valuation technique(s) used to measure similar assets or liabilities or both in prior periods? [SFAS 157 par 33]	_____	_____	_____
3. Are the quantitative disclosures required in the preceding questions 1–2 in a tabular format? [SFAS 157 par. 34]	_____	_____	_____
4. If the organization reports assets and liabilities at fair value pursuant to the fair value option SFAS 159, has it either (a) presented the aggregate of fair value and non-fair-value amounts in the same line item in the statement of financial position and parenthetically disclosed the amount measured at fair value included in the aggregate amount or (b) presented 2 separate line items to display the fair value and non-fair-value carrying amounts of similar assets and liabilities? [SFAS 159 par. 15]	_____	_____	_____
5. As of each date for which a statement of financial position is presented, has the organization disclosed the following information about items measured at fair value under the option in SFAS 159 or the option in paragraph 16 of SFAS 133, <i>Accounting for Derivative Instruments and Hedging Activities</i> :			
a. Management's reasons for electing a fair value option for each eligible item or group of similar eligible items?	_____	_____	_____
b. The following information if the fair value option is elected for some but not all eligible items within a group of similar eligible items			
(1) a description of those similar items and the reasons for partial election?	_____	_____	_____
(2) information to enable users to understand how the group of similar items relates to individual line items on the statement of financial position?	_____	_____	_____
c. The following information for each line item in the statement of financial position that includes an item or items for which the fair value option has been elected			
(1) information to enable users to understand how each line item in the statement of financial position relates to major categories of assets and liabilities presented in accordance with SFAS 157's fair value disclosure requirements?	_____	_____	_____
(2) the aggregate carrying amount of items included in each line item in the statement of financial position that are not eligible for the fair value option, if any? [SFAS 159 par. 18]	_____	_____	_____
6. As of each date for which a statement of activities is presented, has the organization disclosed the following information about items measured at fair value under the option in SFAS 159 or the option in paragraph 16 of SFAS 133:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. For each line item in the statement of financial position, the amounts of gains and losses from fair value changes during the period included in change in each of the net asset classes (unrestricted, temporarily restricted, and permanently restricted), and in an intermediate measure of operations, if one is presented, and in which line in the statement of activities those gains and losses are reported? (An organization may meet this requirement by disclosing amounts of gains and losses that include amounts of gains and losses for other items measured at fair value, such as items required to be measured at fair value.)	_____	_____	_____
b. A description of how interest and dividends are measured and where they are reported in the income statement? [SFAS 159 par. 19]	_____	_____	_____
7. Has the organization disclosed the methods and significant assumptions used to estimate the fair value of items for which the fair value option has been elected? [SFAS 159 par. 21]	_____	_____	_____
8. If an organization elects the fair value option at a remeasurement event, has it disclosed the following for the period of the election:			
a. Qualitative information about the nature of the event?	_____	_____	_____
b. Quantitative information by line item in the statement of financial position indicating which line items in the statement of activities include the effect of initially electing the fair value option for an item? [SFAS 159 par. 22]	_____	_____	_____

## II. Statement of Financial Position

### A. General

1. Does the statement of financial position report total assets, liabilities, and net assets as well as separate amounts for each of three classes of net assets with captions used to describe their meaning as explained in SFAS 117? [SFAS 117 par. 10, 13, and 100]	_____	_____	_____
2. Does the organization provide information about liquidity by one or more of the following presentations:			
a. Sequencing assets according to their nearness of conversion to cash and sequencing liabilities according to the nearness of their maturity and resulting use of cash?	_____	_____	_____
b. Classifying assets and liabilities as current and noncurrent?	_____	_____	_____
c. Disclosing in notes to financial statements relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets? [SFAS 117 par. 12; AAG 3.04]	_____	_____	_____
3. For classified statements of financial position, are assets and liabilities segregated into current and noncurrent classifications, with totals presented for current assets and current liabilities? [SFAS 78 par. 5 and 13; SFAS 6 par. 15; FIN 8 par. 3; FTB 79-3 par. 2; SFAS 117 par. 12]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. For classified statements of financial position, are assets that are not expected to be realized during the current operating cycle classified as noncurrent? [ARB 43 ch. 3A par. 5–6]	_____	_____	_____
5. Are cash and other assets that are received with restrictions that limit their use to long-term purposes or that are designated by the governing board for long-term purposes (a) reported separately from similar assets that are available for current use and (b) described in the notes if the nature of the assets (for example, treasury bonds) is not apparent from the face of the statement of financial position? [ARB 43 ch. 3A fn 1; SFAS 117 par. 11; AAG 3.03]	_____	_____	_____
6. Are contractual limitations on the use of particular assets disclosed on the face of the financial statements or in the notes? [AAG 3.07]	_____	_____	_____
7. Are valuation allowances for assets shown as deductions from their related assets with appropriate disclosure? [APB 12 par. 3]	_____	_____	_____
<b>B. Cash and Cash Equivalents</b>			
1. Is <i>cash</i> or <i>cash and cash equivalents</i> included as a separate line item on the statement of financial position? [AAG 4.03]	_____	_____	_____
2. Are restricted amounts appropriately segregated from other cash balances? [ARB 43 ch. 3A par. 6; AAG 3.03 and 4.03]	_____	_____	_____
3. If a concentration of credit risk arises from deposits in excess of federally insured limits, is it disclosed? [SFAS 133 par. 531(d); SFAS 124 par. 16 and 86]	_____	_____	_____
4. If the organization has material bank overdrafts or a material balance of undelivered checks as of the statement of financial position date, are			
a. bank overdrafts presented as a separate caption within current liabilities?	_____	_____	_____
b. undelivered checks classified as accounts payable? [Generally Accepted]	_____	_____	_____
5. Are short-term highly liquid investments excluded from cash equivalents if they are purchased with resources that have donor restrictions that limit their use to long-term investment—for example, as a permanent endowment fund? [AAG 3.19]	_____	_____	_____
6. Are requirements to hold cash in separate accounts disclosed? [AAG 4.05]	_____	_____	_____
<b>C. Investments Other Than Derivative Instruments</b>			
1. Are investments in equity securities with readily determinable fair values and all investments in debt securities measured at fair value in the statement of financial position? [SFAS 124 par. 7]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are other types of investments (such as real estate and venture capital funds) reported in accordance with AAG paragraph 8.36? [SFAS 124 par. 31; AAG 8.36]	_____	_____	_____
3. For each period for which a statement of financial position is presented, are the following disclosures made on the face of the financial statements or in the notes thereto:			
a. The aggregate carrying amount of investments by major types (for example, equity securities and corporate debt securities)?	_____	_____	_____
b. The basis for determining the carrying amount for investments other than equity securities with readily determinable fair values and all debt securities?	_____	_____	_____
c. The methods and assumptions used to estimate the fair values of investments other than financial instruments, if those other investments are reported at fair value?	_____	_____	_____
d. The aggregate amount of the deficiencies for all donor-restricted endowment funds, for which the fair value of the assets at the reporting date is less than the level required by donor stipulations or law? [SFAS 124 par. 15; AAG 8.26]	_____	_____	_____
4. For the most recent period for which a statement of financial position is presented, does the entity disclose the nature of and carrying amount for every individual investment or group of investments that represents a significant concentration of market risk (market risk may result from the nature of the investments, a lack of diversity of industry, currency, or geographic location)? [SFAS 124 par. 16; AAG 8.27]	_____	_____	_____
5. Are significant concentrations of credit risk, including those that arise from concentrations of investments in U.S. government securities, disclosed? [SFAS 133 par. 531(d); SFAS 124 par. 16 and 86]	_____	_____	_____
6. Are the appropriate disclosures made for investments in common stock accounted for under the equity method? [APB 18 par. 20, as amended and superseded by SFAS 94]	_____	_____	_____
7. If the organization enters into securities lending transactions or repurchase agreements, has it disclosed its policy for requiring collateral or other security? [SFAS 140 par. 17a(1)]	_____	_____	_____
8. If the organization has investments that would have been accounted for under the equity method if the organization had not chosen to apply the fair value option in SFAS 159 or in paragraph 16 of SFAS 133, has it disclosed for each period for which a statement of financial position is presented the information required by paragraph 20 of APB 18, <i>The Equity Method of Accounting for Investments in Common Stock</i> , excluding the disclosures in paragraphs 20(a)(3), 20(b), and 20(e) of that APB? [SFAS 159 par. 18f]	_____	_____	_____
9. For all equity securities outside the scope of SFAS 124, <i>Accounting for Certain Investments Held by Not-for-Profit Organizations</i> , that are reported at (cost-method investments) and are in an unrealized loss position for which impairment losses have not been recognized, does the organi-			



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
zation include the following information as of <i>each</i> date for which a statement of financial position is presented in its annual financial statements:			
a. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value)?	_____	_____	_____
b. The aggregate related fair value of investments with unrealized losses?	_____	_____	_____
c. Is the information required by the preceding questions 9a–b presented in tabular form, aggregated by each category of investment that the organization discloses for its cost-method investments?	_____	_____	_____
d. Is the table required in questions 9a–b segregated by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer? [FSP FAS 124-1 par 17; AAG 8.A.5]	_____	_____	_____
10. For all cost-method investments that are in an unrealized loss position for which impairment losses have not been recognized, does the organization explain as of the date of the most recent statement of financial position included in its annual financial statements why it concluded that the impairment was not other-than-temporary? That information could include			
a. the nature of the investment(s)?	_____	_____	_____
b. the cause(s) of the impairment(s)?	_____	_____	_____
c. the number of investment positions that are in an unrealized loss position?	_____	_____	_____
d. the severity and duration of the impairment(s)?	_____	_____	_____
e. the evidence (both positive and negative) considered by the organization in reaching its conclusion that the investment is not other-than-temporarily impaired, including, for example, industry analyst reports, sector credit ratings, volatility of the security's fair value, or any other information or both that the organization considers relevant? [FSP FAS 124-1 par. 17; AAG 8.A.6]	_____	_____	_____
11. For all cost-method investments, does the organization include the following information as of <i>each</i> date for which a statement of financial position is presented in its annual financial statements:			
a. The aggregate carrying amount of all cost-method investments?	_____	_____	_____
b. The aggregate carrying amount of cost-method investments that the organization did not evaluate for impairment?	_____	_____	_____
c. The fact that the fair value of a cost-method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment and either (1) the organization determined, in accordance with paragraphs 14 and 15 of SFAS 107, <i>Disclosures about Fair Value of Financial Instruments</i> , that it is not practicable to estimate the fair value of the investment or (2) the organization is exempt from estimating fair value under SFAS 126, <i>Exemption from Certain</i>			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Required Disclosures about Financial Instruments for Certain Nonpublic Entities—an amendment to FASB Statement No. 107?</i> [FSP FAS 124-1 par. 18; AAG 8.A.7]	_____	_____	_____
12. Is use of the equity method of accounting limited to investments in the following list:			
a. Common stock, as described in APB 18?	_____	_____	_____
b. In-substance common stock, as that type of investment is defined in EITF 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock?"	_____	_____	_____
c. Noncorporate entities accounted for under SOP 78-9, <i>Accounting for Investments in Real Estate Ventures</i> (AICPA, <i>Technical Practice Aids</i> , ACC sec. 10,240)?	_____	_____	_____
d. Limited liability companies that maintain "specific ownership accounts" for each investor as discussed in EITF 03-16, "Accounting for Investments in Limited Liability Companies?"	_____	_____	_____
e. Beneficial interests in trusts as required by SFAS 136? [AAG 8.A.9]	_____	_____	_____
13. Have the necessary disclosures about financial instruments been made? (Refer to section II.E, "Financial Instruments")	_____	_____	_____

#### **D. Derivative Instruments and Hedging Activities**

**Note:** SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*, is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. SFAS 161 encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

Organizations with financial statements issued for fiscal years and interim periods beginning after November 15, 2008, and those that chose to early adopt SFAS 161 should complete questions 4–18. Other organizations should complete questions 19–24. All organizations should complete questions 1–3 and 25–27.

1. Are derivative instruments that are within the scope of SFAS 133, including certain derivative instruments embedded in other contracts, accounted for as assets or liabilities in the statement of financial position and measured at their fair values? [SFAS 133 par. 17]	_____	_____	_____
2. Are gains and losses included in the change in net assets for			
a. derivative instruments that are not designated as a hedging instrument and derivative instruments that are designated as cash flow hedges? [SFAS 133 par. 43]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. derivative instruments designated and qualifying as a fair value hedge, along with the offsetting loss or gain on the hedged item and the effects of hedge ineffectiveness? [SFAS 133 par. 43]</p>	_____	_____	_____
<p>3. Are gains and losses on derivative instruments or nonderivative financial instruments that are designated and qualifying as hedges of a foreign currency exposure of a net investment in a foreign operation accounted for in the same manner as a translation adjustment, that is, are they reported separately in the statement of activities in accordance with paragraph 13 of SFAS 52, <i>Foreign Currency Translation</i>? [SFAS 133 par. 42–43]</p>	_____	_____	_____
<p>4. Does the organization disclose the following information about derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133):</p>			
<p>a. Its objectives for holding or issuing those instruments? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>b. The context necessary to understand those objectives? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>c. Its strategies for achieving those objectives? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>5. Are the disclosures described in question 4 in the context of each instrument's primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, interest rate and foreign exchange rate, or overall price)? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>6. Do the disclosures described in question 4 distinguish between instruments used for risk management purposes and those used for other purposes? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>7. Do the disclosures described in question 4 distinguish between instruments designated as (a) fair value hedging instruments, (b) cash flow hedging instruments, and (c) hedges of foreign currency exposure of net investments in foreign operations? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>8. For derivative instruments not designated as hedging instruments, does the organization describe the purpose of holding or issuing the derivatives? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>9. Does the organization disclose information that enables users of its financial statements to understand the volume of its derivative activity? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____
<p>10. Did the organization consider providing additional qualitative disclosures about its overall risk exposures relating to interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk, and equity price risk? [SFAS 133 par. 44, as amended by SFAS 161 par. 3]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. Does the organization disclose the location and fair value amounts of derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133) in a tabular format that provides			
a. the fair value on a gross basis (even if the derivative instruments qualify for net presentation in the statement of financial position)? [SFAS 133 par. 44Ca, added by SFAS 161 par. 3]	_____	_____	_____
b. separate asset and liability values segregated between derivatives that are designated and qualifying as hedging instruments and those that are not, and within those two broad categories, by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and so forth) [SFAS 133 par. 44Ca, added by SFAS 161 par. 3]	_____	_____	_____
c. the line item(s) in the statement of financial position in which the fair value amounts for the preceding categories are included? [SFAS 133 par. 44Ca, as added by SFAS 161 par. 3]	_____	_____	_____
12. Does the organization disclose the location and fair value amounts of the gains and losses reported in the statement of activities for derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133) in a tabular format that provides			
a. the gains and losses on derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedges)? [SFAS 133 par. 44Cb, added by SFAS 161 par. 3]	_____	_____	_____
b. the portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing the amount of the hedge's ineffectiveness? [SFAS 133 par. 44Cb, added by SFAS 161 par. 3]	_____	_____	_____
c. the portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing the amount, if any, excluded from the assessment of hedge effectiveness? [SFAS 133 par. 44Cb, added by SFAS 161 par. 3]	_____	_____	_____
d. the gains and losses for derivative instruments not designated or qualifying as hedging instruments? (See question 15.) [SFAS 133 par. 44Cb, as added by SFAS 161 par. 3]	_____	_____	_____
13. Do the disclosures described in question 12 present information separately by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and so forth)? [SFAS 133 par. 44Cb, as added by SFAS 161 par. 3]	_____	_____	_____
14. Do the disclosures described in question 12 identify the line item(s) in the statement of activities in which the gains and losses for the categories of derivative instruments are included and which class or classes of net assets (unrestricted, temporarily restricted, or permanently restricted) are affected? [SFAS 133 par. 44Cb; SFAS 133 par. 205F, as added by SFAS 161 par. 3]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. If the organization excludes derivative instruments not designated or qualifying as hedging instruments from the disclosures described in question 12, has it disclosed the following information for those excluded instruments:			
a. The gains and losses on derivative and nonderivative instruments recognized in the statement of activities, separately by major types of items (for example, fixed income interest rates, foreign exchange, equity, commodity, and credit)?	_____	_____	_____
b. The line item(s) in the statement of activities in which the gains and losses are recognized?	_____	_____	_____
c. A description of the nature of its activities and related risks, and how the entity manages those risks? [SFAS 133 par. 44Cc, added by SFAS 161 par. 3]	_____	_____	_____
16. Does the organization disclose the following information about derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133) that have credit-risk-related contingent features and that are in a net liability position at the end of the reporting period:			
a. The existence and nature of the credit-risk-related contingent features and the circumstances in which the features could be triggered?	_____	_____	_____
b. The aggregate fair value amounts at the end of the period?	_____	_____	_____
c. The aggregate fair value of assets that are already posted as collateral at the end of the reporting period?	_____	_____	_____
d. The aggregate fair value of additional assets that would be required to be posted as collateral or the aggregate fair value of assets needed to settle the instrument immediately, if the credit-risk-related contingent features were triggered at the end of the reporting period? [SFAS 133 par. 44D, added by SFAS 161 par. 3]	_____	_____	_____
17. Is the following information about fair value hedges disclosed:			
a. The net gain or loss recognized in the change in net assets for the sum of (1) the amount of the hedge's ineffectiveness and (2) the component of the derivative instrument's gain or loss, if any, excluded from the assessment of hedge effectiveness? [SFAS 133 par. 45a, as amended by SFAS 161 par.3]	_____	_____	_____
b. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? [SFAS 133 par. 45a, as amended by SFAS 161 par. 3]	_____	_____	_____
18. If the information required by questions 4–17 is disclosed in more than a single note, does each derivative notes cross-reference the other notes in which derivative-related information is disclosed? [SFAS 133 par 44E, added by SFAS 161 par. 3]	_____	_____	_____
19. Does the organization disclose the following information about derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of SFAS 133):			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Its objectives for holding or issuing those instruments? [SFAS 133 par. 44]	_____	_____	_____
b. The context necessary to understand those objectives? [SFAS 133 par. 45a]	_____	_____	_____
c. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? [SFAS 133 par. 45a]	_____	_____	_____
20. Do the disclosures described in question 4 distinguish between instru- ments designated as (a) fair value hedging instruments, (b) cash flow hedging instruments, (c) hedges of foreign currency exposure of net investments in foreign operations, and (d) all other derivatives and describe			
a. the organization's risk management policy for each of the types of hedges? [SFAS 133 par. 44]	_____	_____	_____
b. a description of the items or transactions for which risks are hedged? [SFAS 133 par. 44]	_____	_____	_____
21. For derivative instruments not designated as hedging instruments, does the organization describe the purpose of holding or issuing the deriv- atives? [SFAS 133 par. 44]	_____	_____	_____
22. Did the organization consider providing additional qualitative disclo- sures about its overall risk management profile? [SFAS 133 par. 44]	_____	_____	_____
23. Is the following information about fair value hedges disclosed:			
a. The net gain or loss recognized in the change in net assets for the sum of (1) the amount of the hedge's ineffectiveness and (2) the component of the derivative instrument's gain or loss, if any, ex- cluded from the assessment of hedge effectiveness? [SFAS 133 par. 45a]	_____	_____	_____
b. A description of where the net gain or loss is reported in the state- ment of activities? [SFAS 133 par. 45a]	_____	_____	_____
c. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? [SFAS 133 par. 45a]	_____	_____	_____
24. Is the following information about hedges of the net investment in a foreign operation disclosed:			
a. The net amount of gains or losses included in the cumulative trans- lation adjustment during the reporting period? [SFAS 133 par. 45c]	_____	_____	_____
25. If the organization extinguished debt and a gain or loss resulted in part because the debt's carrying amount had been adjusted in prior years as required by the fair value hedge accounting requirements of SFAS 133, is the component of the gain or loss that results from the prior adjust- ment of the debt's carrying amount classified with the extinguishment gain or loss? [EITF 00-9]	_____	_____	_____

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 26. If the organization measures hybrid instruments (financial instruments containing embedded derivatives) at fair value in accordance with the election in SFAS 155, <i>Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140</i> , or the practicability exception in SFAS 133, is the aggregate fair value of those instruments reported separately on the face of the statement of financial position from the aggregate carrying amounts of assets and liabilities measured using another measurement attribute?<br>[SFAS 133 par. 44A, as amended by SFAS 155 par. 4E] | _____      | _____     | _____      |
| 27. Has the organization provided information that will allow users to understand the effect of changes in the fair value of hybrid financial instruments measured at fair value?<br>[SFAS 133 par. 44B, as amended by SFAS 155 par. 4E]  | _____      | _____     | _____      |

**E. Financial Instruments**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Do disclosures of all significant concentrations of credit risk arising from all financial instruments (including derivative instruments accounted for under SFAS 133), whether from an individual counterparty or groups of counterparties (except for certain insurance and investment contracts, purchase and pension obligations), include  |       |       |       |
| a. information about the (shared) activity, region, or economic characteristic that identifies the concentration? Possible shared characteristics on which significant concentrations may be determined include, but are not limited to  | _____ | _____ | _____ |
| (1) borrowers subject to significant payment increases.  | _____ | _____ | _____ |
| (2) loans with terms that permit negative amortization.  | _____ | _____ | _____ |
| (3) loans with high loan-to-value ratios. Judgment is required to determine whether loan products have terms that give rise to a concentration of credit risk.   | _____ | _____ | _____ |
| b. the maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the organization?  | _____ | _____ | _____ |
| c. the organization's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the organization's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments?   | _____ | _____ | _____ |
| d. the organization's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the organization's maximum amount of loss due to credit risk?<br>[SFAS 107 par. 15A, as amended by SFAS 133 par. 531; FSP SOP 94-6-1 par. 7] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the organization received an asset or liability in a transfer of financial instruments during the period for which it was unable to estimate the fair value, is a description of the asset or liability disclosed and the reasons why it was not practicable to estimate its fair value? [SFAS 140 par. 17d]	_____	_____	_____

**Note:** SFAS 126, as amended, states that disclosures about the fair value of financial instruments prescribed in SFAS 107 shall be optional for an entity that meets all of the following criteria:

- a. The entity is a nonpublic company, as defined in paragraph 3 of SFAS 126.
- b. The entity's total assets are less than \$100 million on the date of the financial statements.
- c. The organization has no instrument that, in whole or in part, is accounted for as a derivative instrument under SFAS 133, other than commitments related to the origination of mortgage loans to be held for sale, during the reporting period.

A not-for-profit organization that is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) is considered to be a public company. Consider this exemption when reviewing the following questions 3–6.

3. Is the fair value of financial instruments for which it is practicable to estimate that value (except for those excluded in paragraphs 8 and 13 of SFAS 107) disclosed, together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position? <sup>2</sup> [SFAS 107 par. 10]	_____	_____	_____
4. Are the methods and significant assumptions used to estimate the fair value of financial instruments disclosed? [SFAS 107 par. 10]	_____	_____	_____
5. If it is not practicable to estimate the fair market value of a financial instrument, do disclosures include			
a. information pertinent to estimating the fair value of the financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	_____	_____	_____
b. the reasons why it is not practicable to estimate fair value? [SFAS 107 par. 14]	_____	_____	_____
6. Unless the offsetting of financial instruments against other financial instruments is permitted under FIN 39, <i>Offsetting of Amounts Related to Certain Contracts</i> , or FIN 41, <i>Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements</i> , does the organization, in			

<sup>2</sup> If disclosed in more than a single note, one of the notes should include a summary table containing the fair value and related carrying amounts and cross-references to the location(s) of the remaining disclosures required by SFAS 107, *Disclosures about Fair Value of Financial Instruments*, as amended.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
disclosing the fair value of a financial instrument, show amounts gross, instead of netting the fair value of the instrument with the fair value of other financial instruments? [SFAS 133 par. 531c]	_____	_____	_____
7. If the organization has offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement, have the disclosures in FSP FIN 39-1, <i>Amendment of FASB Interpretation No. 39</i> , been made? [FIN 39 par 10B, as amended by FSP FIN 39-1 par 4d]	_____	_____	_____
<b>F. Accounts, Notes, Contributions, and Loans Receivables</b>			
1. Are major categories of loans and receivables presented separately on the face of the statement of financial position or in the notes (for example, contributions receivable, trade receivables, notes receivable, amounts due from governing board members, employees, or affiliated entities) with appropriate disclosures? [ARB 43 ch. 1A par. 5; SOP 01-6 par. 13e (ACC 10,850.13)]	_____	_____	_____
2. If a classified statement of financial position is presented, are amounts due from affiliated organizations and subsidiaries classified as current only if it is collectible within one year or if it is the organization's practice to liquidate the amounts periodically? [ARB 43 ch. 3A par. 4]	_____	_____	_____
3. If a note is noninterest bearing or has an inappropriate stated interest rate			
a. is the discount or premium presented as a deduction from or addition to the face amount of the note?	_____	_____	_____
b. does the disclosure include the effective interest rate and face amount of the note?	_____	_____	_____
c. is amortization of discount or premium reported as interest in the statement of activity? [APB 21 par. 16]	_____	_____	_____
4. Are unearned discounts, finance charges, and interest included in the face amount of receivables shown as a deduction from the related receivables? [APB 6 par. 14]	_____	_____	_____
5. Are valuation allowances for receivables shown as a deduction from the related receivable and the amounts disclosed in the financial statements? [APB 12 par. 3; SOP 01-6 par. 13e (ACC 10,850.13)]	_____	_____	_____
6. Do organizations that receive unconditional promises to give disclose the following:			
a. The amounts of promises receivable in less than one year, in one to five years, and in more than five years?	_____	_____	_____
b. The face amount of contributions promised to the organization?	_____	_____	_____
c. The amount of any allowance for uncollectible promises receivable?	_____	_____	_____
d. Unamortized discount?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. Amounts pledged as collateral or otherwise limited as to use? [SFAS 116 par. 24; AAG 5.78]	_____	_____	_____
7. Do organizations that receive conditional promises to give disclose the following:			
a. The total of the amounts promised?	_____	_____	_____
b. A description and amount for each group of promises having similar characteristics (such as amount of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date)? [SFAS 116 par. 25]	_____	_____	_____
8. If receivables are sold with recourse			
a. is the amount of the recourse obligation computed and reported as a liability? or	_____	_____	_____
b. if it is not practicable to estimate the fair value of the recourse obligation incurred, is a description of the recourse agreement and the reasons why it is not practicable to estimate the fair value of the obligation disclosed? [SFAS 140 par. 11 and 17d]	_____	_____	_____
9. If an impairment of a loan has been recognized, have the following disclosures been made: ( <i>Note:</i> Large groups of smaller balance homogeneous loans that are collectively evaluated for impairment—for example, student loans of a college—are exempt from this requirement.)	_____	_____	_____
a. As of the date of each statement of financial position presented, the total recorded investment in the impaired loans, the amount of impaired loans for which there is a related allowance for credit losses and the amount of that allowance, and the amount of impaired loans for which there is no related allowance for credit losses?	_____	_____	_____
b. The policy for recognizing interest income on impaired loans, including how cash receipts are recorded?	_____	_____	_____
c. For each period for which a statement of activity is presented, the average recorded investment in impaired loans, the related amount of interest income recognized for the time that the loan was impaired within the period, and, unless not practicable, the amount of interest income recognized using a cash-basis method of accounting during the time that the loan was impaired within the period? [SFAS 114 par. 20, as amended by SFAS 118; EITF 96-22, when 2 or more loans replace the impaired loan in a restructuring]	_____	_____	_____
10. If the organization has accepted collateral that it is permitted by contract or custom to sell or repledge, has it disclosed the following information about that collateral:			
a. The fair value of that collateral as of the date of each statement of financial position presented?	_____	_____	_____
b. The fair value of the portion of that collateral that it has sold or repledged?	_____	_____	_____
c. Information about the sources and uses of that collateral? [SFAS 140 par. 17a3]	_____	_____	_____

Yes      No      N/A

**Note:** SFAS 159 permits an organization to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in the statement of activities as those changes occur. SFAS 159 is effective as of the beginning of an organization's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the organization also elects to apply the provisions of SFAS 157.

11. As of each date for which a statement of financial position is presented, has the organization disclosed the following information for assets for which the fair value option under SFAS 155 or SFAS 159 has been elected:

- a. The difference between the aggregate fair value and the aggregate unpaid principal balance of loans and long-term receivables (other than securities subject to SFAS 124) that have contractual principal amounts?
- b. The aggregate fair value of loans that are 90 days or more past due?
- c. The aggregate fair value of loans in nonaccrual status, if the organization's policy is to recognize interest income separately from other changes in fair value?
- d. The difference between the aggregate fair value and the aggregate unpaid principal balance for loans that are 90 days or more past due, in nonaccrual status, or both?  
[SFAS 159 par. 18]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

12. As of each date for which a statement of activities is presented, has the organization disclosed the following information for loans and long-term receivables for which the fair value option under SFAS 155 or SFAS 159 has been elected:

- a. The estimated amount of gains or losses included in the change in each of the net asset classes (unrestricted, temporarily restricted, and permanently restricted) during the period, and in an intermediate measure of operations if one is presented, that is attributable to changes in instrument-specific credit risk?
- b. How the gains or losses attributable to changes in instrument-specific credit risk were determined?  
[SFASs 159 par. 19]

\_\_\_\_\_

\_\_\_\_\_

**Note:** SOP 01-6, *Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others* (AICPA, *Technical Practice Aids*, ACC sec. 10,850) (questions 13–15 that follow), apply to organizations that (1) extend credit to customers (constituents) to encourage them to purchase products and services (for example, trade receivables including tuition receivables and conference or seminar fees receivable), (2) make mortgage loans, or (3) make secured or unsecured loans to constituents (for example, student loans). This checklist includes only the disclosure requirements for the more common activities within the scope of SOP 01-6. If the organization purchases or sells loans or servicing rights, forecloses on a loan, or engages in other more complex lending activities, the additional dis-

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
closure requirements of SOP 01-6, SFAS 140, <i>Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125</i> , and SFAS 156, <i>Accounting for the Servicing of Financial Assets—an amendment of FASB Statement No. 140</i> , not included herein, also should be considered.			
13. Does the accounting policy note include the following:			
a. The basis of accounting for loans, trade receivables, and lease financings?	_____	_____	_____
b. The method for recognizing interest income on loan and trade receivables, including the organization's policy for treatment of related fees and costs and the method of amortizing net deferred fees or costs?	_____	_____	_____
c. The classification and method of accounting for receivables that can be contractually prepaid or otherwise settled in a way that the organization would not recover substantially all of its recorded investment?	_____	_____	_____
d. The accounting policies and methodology the organization used to estimate its allowance for loan losses, allowance for doubtful accounts, any liability for off-balance sheet credit losses, and any related charges for credit losses, including a description of the factors that influenced management's judgment?	_____	_____	_____
e. The policy for discontinuing accrual of interest on past due interest-bearing receivables, for recording payments on those past-due receivables, and the policy for resuming accrual of interest?	_____	_____	_____
f. The policy for charging off uncollectible loans and receivables?	_____	_____	_____
g. The policy for determining past due or delinquency status (that is, whether that status is based on most recent payment or on contractual terms)? [SOP 01-6 par. 13a–c (ACC 10,850.13)]	_____	_____	_____
14. Is the recorded investment in past due loans and receivables on which accrual of interest has been discontinued disclosed for each date for which a statement of financial position is presented? [SOP 01-6 par. 13g (ACC 10,850.13)]	_____	_____	_____
15. Is the recorded investment in loans and receivables past due ninety days or more and still accruing disclosed for each date for which a statement of financial position is presented? [SOP 01-6 par. 13g (ACC 10,850.13)]	_____	_____	_____

**Note:** SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* (AICPA, *Technical Practice Aids*, ACC sec. 10,880) (question 16 that follows), applies to receivables and debt securities with a term in excess of one year that are acquired by an organization by a transfer (that is, the not-for-profit organization was not the original creditor if the receivable is an account, note, or loan receivable nor was it the original donee if the receivable is a contribution receivable). Loans that are measured at fair value are excluded from the scope of SOP 03-3 if all changes in fair value are included in the statement of activities and included in the performance indicator if a performance indicator is presented.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
16. For an account, note, loan, or contribution receivable that was acquired by transfer rather than by origination			
a. does the valuation allowance reflect only those losses incurred by the organization <i>after</i> acquisition? ( <b>Note:</b> In other words, it is not appropriate, at acquisition, to establish a loss allowance.) [SOP 03-3 par. 4 (ACC 10,880.04)]	_____	_____	_____
b. is the excess between the receivable's contractually required payments and the amount of its cash flows expected at acquisition (nonaccretable difference) NOT displayed in the statement of financial position and NOT recognized as an adjustment of yield, a loss accrual, or a valuation allowance for credit risk? [SOP 03-3 par. 5 (ACC 10,880.05)]	_____	_____	_____
c. is the excess of all cash flows expected at acquisition over the organization's initial investment in the receivable (accretable yield) recognized as a discount to be accreted over the life of the receivable as interest income and NOT displayed in the statement of financial position? [SOP 03-3 par. 5 (ACC 10,880.05)]	_____	_____	_____
d. if the receivable is not a debt security within the scope of SFAS 124, are changes in the estimated cash flows expected to be collected over the life of the receivable accounted for under SFAS 5 or SFAS 114, <i>Accounting by Creditors for Impairment of a Loan—an amendment of FASB Statements No. 5 and 15</i> , (if a decrease) or as an adjustment of the valuation allowance and accretable yield (if an increase)? [SOP 03-3 par. 8 (ACC 10,880.08)]	_____	_____	_____
17. Do the notes to financial statements describe how prepayments are considered in the determination of contractual cash flows and cash flows expected to be collected? [SOP 03-3 par. 14 (ACC 10,880.14)]	_____	_____	_____
18. Is information about loans meeting the scope criteria of paragraph 3 of SOP 03-3 included in the disclosures required by paragraphs 20(a) and 20(b) of SFAS 114, if the condition in paragraph 16 of SFAS 115 or paragraph 8(a) of SFAS 5 (as discussed in paragraphs 7(a) and 8(a) of SOP 03-3) is met? [SOP 03-3 par. 15 (ACC 10,880.15)]	_____	_____	_____
19. In addition to disclosures required by other generally accepted accounting principles, for each balance sheet presented, does an investor disclose the following information about loans within the scope of SOP 03-3:			
a. Separately for both those loans that are accounted for as debt securities and those loans that are not accounted for as debt securities			
(1) the <b>outstanding balance</b> and related carrying amount at the beginning and end of the period?	_____	_____	_____
(2) the amount of accretable yield at the beginning and end of the period, reconciled for additions, accretion, disposals of loans, and reclassifications to or from nonaccretable difference during the period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) for loans acquired during the period, the contractually required payments receivable, cash flows expected to be collected, and fair value at the acquisition date?	_____	_____	_____
(4) for those loans within the scope of SOP 03-3 for which the income recognition model in SOP 03-3 is not applied in accordance with paragraph 6, the carrying amount at the acquisition date for loans acquired during the period and the carrying amount of all loans at the end of the period?	_____	_____	_____
<i>b.</i> Further, for those loans that are not accounted for as debt securities, does an investor disclose			
(1) the amount of (a) any expense recognized pursuant to paragraph 8a of SOP 03-3 and (b) any reductions of the allowance recognized pursuant to paragraph 8b(1) of SOP 03-3 for each period for which an income statement is presented?	_____	_____	_____
(2) the amount of the allowance for uncollectible accounts at the beginning and end of the period? [SOP 03-3 par. 16 (ACC 10,880.16)]	_____	_____	_____
20. Have the necessary disclosures about financial instruments been made? (Refer to section II.E, "Financial Instruments")	_____	_____	_____

#### **G. Beneficial Interests in Assets Held by Others**

1. If the organization is named by a donor as a beneficiary of a perpetual trust held by a third party			
<i>a.</i> is that beneficial interest measured at the present value of the estimated future cash receipts from the trust's assets using a discount rate that reflects current market conditions?	_____	_____	_____
<i>b.</i> is the contribution classified as permanently restricted support?	_____	_____	_____
<i>c.</i> are the annual distributions from the trust reported as investment income?	_____	_____	_____
<i>d.</i> is the amount of the beneficial interest remeasured annually and the adjustment reported as a permanently restricted gain or loss? [SFAS 136 par. 15; AAG 6.12 and 6.29]	_____	_____	_____
2. If the organization transferred assets to another entity and specified itself or its affiliate as the beneficiary, has it			
<i>a.</i> reported the transfer as an equity transaction if the criteria in paragraph 18 of SFAS 136 are met?	_____	_____	_____
<i>b.</i> reported the transfer as an exchange of an asset for another asset if the criteria in paragraph 18 of SFAS 136 are not met? [SFAS 136 par. 17–18]	_____	_____	_____
3. If the organization transferred assets to another entity and specified itself or its affiliate as the beneficiary, has it disclosed the following for each period in which a statement of financial position is presented:			
<i>a.</i> The identity of the recipient organization to which the transfer was made?	_____	_____	_____
<i>b.</i> Whether variance power was granted to the recipient organization and, if so, a description of the terms of the variance power?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The terms under which amounts will be distributed to the organization or its affiliate?	_____	_____	_____
d. The aggregate amount recognized in the statement of financial position for those transfers and whether that amount is recorded as an interest in the net assets of the recipient organization or as another asset (such as a beneficial interest in assets held by others or as a refundable advance)? [SFAS 136 par. 19]	_____	_____	_____
4. If the organization is the beneficiary of transfers to a recipient organization and the organization and that recipient organization are financially interrelated, has the organization recognized the change in its interest in the net assets of the recipient organization and classified that change as			
a. as if the contributions were received directly from the donor, because the organization (beneficiary) can influence the operating and financial decisions of the recipient organization to such an extent that the organization (beneficiary) can determine the timing and amount of distributions to it from the recipient organization? [SFAS 136 par. 15; TPA 6140.14 and .16-.17]	_____	_____	_____
b. as changes in temporarily restricted net assets unless donors placed permanent restrictions on their contributions, because the organization (beneficiary) cannot influence the operating and financial decisions of recipient organization to such an extent that the organization (beneficiary) can determine the timing and amount of distributions to it from the recipient organization? [SFAS 136 par. 15; TPA 6140.15]	_____	_____	_____

**H. Inventories**

1. Are the major classes of inventory disclosed (for example, finished goods, work in process, raw materials)? [ARB 43 ch. 3A par. 4; ARB 43 ch. 4 par. 3]	_____	_____	_____
2. Is the method of determining inventory cost (for example, LIFO, FIFO) disclosed? [ARB 43 ch. 3A par. 9]	_____	_____	_____
3. Is the basis for stating inventory disclosed (for example, lower of cost or market) and, if necessary, the nature of a change in basis for stating inventory and the effect on income of such a change? [ARB 43 ch. 4 par. 4-16; APB 22 par. 13]	_____	_____	_____
4. Are valuation allowances for inventory losses shown as a deduction from the related inventory? [APB 12 par. 3]	_____	_____	_____
5. Are contributions of inventory reported in the period received at fair value? [AAG 7.03]	_____	_____	_____

**I. Property and Equipment**

1. Are the following disclosed:			
a. Capitalization policy?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>b.</i> Balances of major classes of depreciable assets by nature or function at the statement-of-financial-position date?	_____	_____	_____
<i>c.</i> Balances of leasehold improvements and amounts recorded under capital leases, if applicable, are separately disclosed?	_____	_____	_____
<i>d.</i> Depreciation expense for each period?	_____	_____	_____
<i>e.</i> Accumulated depreciation, either by major classes of assets or in total?	_____	_____	_____
<i>f.</i> The method(s) used in computing depreciation with respect to major classes of depreciable assets? [APB 12 par. 5; AAG 9.13 and 9.14]	_____	_____	_____
2. Is the amount of capitalized interest disclosed? [SFAS 34 par. 21; AAG 9.13]	_____	_____	_____
3. Is donated property or equipment recognized when received at its fair value? [SFAS 116 par. 5 and 8]	_____	_____	_____
4. If tangible property is accepted solely to be saved for its potential future use in scientific or educational research and has no alternative use, and has an uncertain value (or no value) is the contributed property not recognized in the financial statements? [SFAS 116 par. 19 fn 7]	_____	_____	_____
5. Are material commitments for property expenditures disclosed? [SFAS 5 par. 18–19]	_____	_____	_____
6. Is the basis of valuation of property and equipment disclosed (for example, cost for purchased items, fair value for contributed items)? [AAG 9.13]	_____	_____	_____
7. Is separate disclosure of nondepreciable assets made? [AAG 9.13]	_____	_____	_____
8. Is separate disclosure made of property and equipment not held for use in operations (for example, items held for sale, items held for investment purposes, and items held for construction in process)? [AAG 9.13]	_____	_____	_____
9. Is separate disclosure made of the aggregate carrying amount of mineral rights, if any? [EITF 04-2 par. 9]	_____	_____	_____
10. Is separate disclosure made of assets restricted by donors for investment in property and equipment? [AAG 9.13]	_____	_____	_____
11. If the organization uses property and equipment to which another entity retains legal title during the term of the arrangement (other than a lease agreement), are (a) the terms of the arrangement and (b) the nature of the relationship between the organization and the owners of the property or equipment disclosed? [AAG 9.04 and 9.16]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. If the organization uses property and equipment to which another entity retains legal title during the term of the arrangement (other than a lease agreement), is the property or equipment reported as a contribution at fair value at the date received only if it is probable that the organization will be permitted to keep the assets when the arrangement terminates? [AAG 9.04]	_____	_____	_____
13. Are disclosures made concerning the liquidity of the organization's property and equipment, including information about limitations on their use			
a. is information provided about property and equipment pledged as collateral or otherwise subject to lien?	_____	_____	_____
b. is information provided about property and equipment acquired with restricted assets where title may revert to another party, such as a resource provider?	_____	_____	_____
c. is information provided about donor or legal limitations on the use of or proceeds from the disposal of property and equipment? [AAG 9.15]	_____	_____	_____
14. If an impairment loss is recognized for a long-lived asset (asset group) to be held and used, are the following disclosures made in financial statements that include the period of the impairment write-down:			
a. A description of the impaired long-lived asset (asset group) and the facts and circumstances leading to the impairment?	_____	_____	_____
b. The method or methods for determining fair value?	_____	_____	_____
c. The amount of the impairment loss and the caption in the income statement or the statement of activities in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement? [SFAS 144 par. 26]	_____	_____	_____
15. If an impairment loss is recognized for a long-lived asset (asset group) to be held and used, is it reported as a component of changes in net assets before the effects of extraordinary items, discontinued operations, or accounting changes in the statement of activities? [SFAS 144 par. 25]	_____	_____	_____
16. If an organization reports a measure of operations within its statement of activities, is the impairment loss referred to in question 15 recognized within that measure of operations? [SFAS 144 par. 25]	_____	_____	_____
17. If a long-lived asset (disposal group) is classified as held for sale, does the organization			
a. measure the asset (group) at the lower of its carrying amount or fair value less cost to sell?	_____	_____	_____
b. present separately the asset (or assets and liabilities of the disposal group, which may not be offset) in the statement of financial position?	_____	_____	_____
c. separately disclose the major classes of assets and liabilities on the face of the statement of financial position or in the notes? [SFAS 144 par. 34 and 46]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. If a long-lived asset (disposal group) has either been sold or been classified as held for sale, are all of the following disclosed in the financial statements that include the period in which that sale or classification occurs:			
a. The carrying amount(s) of the major classes of assets and liabilities included as part of a disposal group, either separately presented on the face of the statement of financial position or in the notes?	_____	_____	_____
b. A description of the facts and circumstances leading to the expected disposal?	_____	_____	_____
c. The expected manner and timing of that disposal?	_____	_____	_____
d. The gain or loss recognized in accordance with paragraph 37 of SFAS 144, and FSP SFAS 144-1, <i>Determination of Cost Basis for Foreclosed Assets under FASB Statement No. 15, and the Measurement of Cumulative Losses Previously Recognized under Paragraph 37 of FASB Statement No. 144</i> , and, if not separately presented, the caption on the face of the statement of activities that includes that gain or loss?	_____	_____	_____
e. If applicable, amounts of revenue and pretax net revenue or net expense (profit or loss) reported in discontinued operations? [SFAS 144 par. 47; FSP 144-1]	_____	_____	_____
19. If a long-lived asset (disposal group) that is not a component is sold, do the statements of activities for the current period and any prior periods presented report any resulting gain or loss within the statement of activities			
a. as a component of change in net assets before the effects of extraordinary items, discontinued operations, or accounting changes?	_____	_____	_____
b. within the measure of operations, if that measure is presented? [SFAS 144 par. 45]	_____	_____	_____
20. If the organization decided not to sell a long-lived asset (disposal group) previously classified as held for sale, are all of the following included in the financial statements that included the period in which that decision occurs:			
a. Has the asset be reclassified to held and used?	_____	_____	_____
b. Is a description of the facts and circumstances leading to the decision to change the plan to sell provided?	_____	_____	_____
c. Is the effect of the decision on the change in net assets (and on the operating measure, if one is displayed) for the period and any prior periods presented disclosed? [SFAS 144 par. 38, 40, and 48]	_____	_____	_____

#### **J. Collections of Works of Art and Similar Items**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Does the organization disclose its policy for capitalization of works of art, historical treasures and similar items that meet the definition of collections in SFAS 116, <i>Accounting for Contributions Received and Contributions Made</i> , paragraph 11?<br>[AAG 5.78] | _____ | _____ | _____ |
|--|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Does the organization recognize contributed collection items as revenues only if collections are capitalized (either retroactively or prospectively) and not recognize collection items if collections are not capitalized? [SFAS 116 par. 13]	_____	_____	_____
3. Are works of art, historical treasures, and similar items capitalized if they are not added to a collection (either because the organization chooses not to add the item to the collection or because the organization does not maintain collections as defined by SFAS 116), and is the amount that is capitalized disclosed separately on the face of the statement of financial position or in the notes? [SFAS 116 par. 135; AAG 7.11]	_____	_____	_____
4. If the organization adopts a policy of retroactively capitalizing collections that <i>meet</i> the definition in SFAS 116, does the statement of financial position include the total amount capitalized on a separate line item, entitled "Collections" or "Collection Items"? [SFAS 116 par. 27; AAG 7.11]	_____	_____	_____
5. For organizations that capitalize collections prospectively, are proceeds from sales and insurance recoveries of items not previously capitalized reported separately from revenues, expenses, gains, and losses? [SFAS 116 par. 26; AAG 7.12]	_____	_____	_____
6. For organizations that do not capitalize collections or that capitalize prospectively, are the following items disclosed:			
a. Description of collections including their relative significance?	_____	_____	_____
b. Accounting and stewardship policies for collections? [SFAS 116 par. 27; AAG 7.13]	_____	_____	_____
7. For organizations that do not capitalize collections or that capitalize collections prospectively, does a line item on the face of the statement of financial position (for example, "Collections (Note X)") refer to the disclosures required in question 6 and, if the organization's policy is to capitalize prospectively, is that line item dated (for example, "Collections acquired since January 1, 19X1 (Note X)")? [SFAS 116 par. 27; AAG 7.13]	_____	_____	_____
8. For organizations that maintain collections that are not capitalized, are the following items reported separately on the statement of activities, separately from revenues, expenses, gains, and losses:			
a. Costs of collection items purchased as a decrease in the appropriate class of net assets?	_____	_____	_____
b. Proceeds from the sale of collection items as an increase in the appropriate class of net assets?	_____	_____	_____
c. Proceeds from insurance recoveries of lost or destroyed collection items as an increase in the appropriate class of net assets? [SFAS 116 par. 13 and 26; AAG 7.12]	_____	_____	_____
9. If collection items that are not capitalized are disposed of during the period, does the organization also			
a. describe the items given away, damaged, destroyed, lost, or otherwise deaccessed during the period?	_____	_____	_____
b. disclose their fair value?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. reference the disclosures in the preceding questions 9a–b on the “Collections” line item on the face of the statement of financial position?	_____	_____	_____
d. no amounts are included on the face of the statement of activities as expenses or other decreases in net assets for the items given away or otherwise deaccessed? [SFAS 116 par. 27; AAG 7.09 and 7.13]	_____	_____	_____
10. Are contributions <i>made by</i> the organization of previously recognized collection items reported at fair value as expenses and decreases in assets in the period in which the contributions are made? [AAG 7.09]	_____	_____	_____

#### K. Other Assets and Deferred Charges

**Note:** The provisions of SFAS 142, *Goodwill and Other Intangible Assets*, should not be applied to goodwill and intangible assets acquired in a combination between not-for-profit organizations or arising from the acquisition of a for-profit business entity by a not-for-profit organization until the FASB completes its project on those types of combinations. Thus, the guidance in APB 17, *Intangible Assets*, remains in effect for previously recognized goodwill and intangible assets acquired in those types of combinations, as well as acquired by not-for-profit organizations in acquisitions occurring after June 30, 2001. However, SFAS 142 does apply to intangible assets acquired by means other than combinations (for example, a mailing list purchased from a direct mail marketing company) and is effective for those assets. Question 7 should be completed only for fiscal years beginning after December 15, 2008; early adoption is prohibited.

1. If during the reporting period the organization has acquired intangible assets by means other than a combination with another entity and those intangible assets will be amortized, do the notes to the financial statements include			
a. the total amount of intangible assets acquired?	_____	_____	_____
b. the amount acquired in any major intangible asset class?	_____	_____	_____
c. the amount of any significant residual value, in total, for intangible assets acquired?	_____	_____	_____
d. the amount of any significant residual value, by major class, for intangible assets acquired?	_____	_____	_____
e. the weighted-average amortization period, in total, for intangible assets acquired?	_____	_____	_____
f. the weighted-average amortization period, by major class, for intangible assets acquired? [SFAS 142 par. 44]	_____	_____	_____
2. If during the reporting period the organization has acquired intangible assets by means other than a combination with another entity and those intangible assets will not be amortized, do the notes to the financial statements include			
a. the total amount of intangible assets acquired?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. the amount acquired in any major intangible asset class? [SFAS 142 par. 44]	_____	_____	_____
3. If during the reporting period the organization acquired and wrote off research and development assets, do the notes to the financial statements indicate the amount written off and the line item in the statement of activities in which the amounts written off are aggregated? [SFAS 142 par. 44]	_____	_____	_____
4. For each period for which a statement of financial position is presented, does the organization include the following information about intangible assets acquired by means other than a combination with another entity:			
a. The gross carrying amount, in total and by major intangible asset class, separately for intangible assets that are being amortized and those that are not?	_____	_____	_____
b. The accumulated amortization, in total and by major intangible asset class for intangible assets that are being amortized?	_____	_____	_____
c. The aggregate amortization expense for the period?	_____	_____	_____
d. The estimated amortization expense for each of the five succeeding periods? [SFAS 142 par. 45]	_____	_____	_____
5. For each period for which a statement of financial position is presented, does the organization include the following information about intangible assets that were acquired in a combination with another entity and about goodwill:			
a. The method and period of amortization? [APB 22 par. 13]	_____	_____	_____
6. For each impairment loss recognized related to an intangible asset, do the notes to the financial statements include			
a. a description of the impaired intangible asset and the facts and circumstances leading to the impairment?	_____	_____	_____
b. the amount of the impairment loss and the method for determining fair value?	_____	_____	_____
c. the caption in the statement of activities in which the impairment loss is aggregated? [SFAS 142 par. 46]	_____	_____	_____
7. If rights under intangible assets acquired by means other than a combination with another entity are subject to renewal or extension, does the organization disclose			
a. its accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset?	_____	_____	_____
b. information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the intangible asset are affected by the intent or ability to renew or extend the arrangement?	_____	_____	_____
c. in the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset by major intangible asset class, for each period for which a statement of financial position is presented?	_____	_____	_____
e. the information about an estimate required by SOP 94-6 (see section 1.J, "Risks and Uncertainties") if it is at least reasonably possible that either (a) the useful life or (b) the expected likelihood of renewal or extension of an intangible asset will change in the near future and the effect of the change would be material either individually or in aggregate by major intangible asset class? [FSP FAS 142-3 par 13-15; SOP 94-6 par. 13-15 (ACC 10,640.13-.15)]	_____	_____	_____
<b>Note:</b> SFAS 158, an amendment of FASB Statement Nos. 87, 88, 106, and 132(R), requires employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their statement of financial position as of the end of the fiscal year ending after June 15, 2007. For additional information, refer to section I. M, "Pension and Other Postretirement Benefit Plans."			
8. If the organization has defined benefit pension plans for which the fair value of plan assets exceeds the projected benefit obligation			
a. is the aggregate amount of all overfunded projected benefit obligations reported as an asset?	_____	_____	_____
b. is the asset classified as a noncurrent asset if the organization presents a classified statement of financial position? [SFAS 87 par. 35-36, as amended by SFAS 158 par. C2(j)-(k)]	_____	_____	_____
9. If the organization has defined benefit postretirement plans other than pensions for which the fair value of plan assets exceeds the accumulated postretirement benefit obligation			
a. is the aggregate amount of all overfunded plans reported as an asset?	_____	_____	_____
b. is the asset classified as a noncurrent asset if the organization presents a classified statement of financial position? [SFAS 106 par. 44A-44B, as amended by SFAS 158 par. D2(d)]	_____	_____	_____
10. Are donated materials and supplies recognized when received at their fair values? [SFAS 116 par. 5 and 8]	_____	_____	_____
11. If the organization holds insurance policies to fund the cost of providing employee benefits or protect against the loss of key persons, does it disclose any contractual restrictions on the ability to surrender a policy? [EITF 06-5 par. 11]	_____	_____	_____

**Note:** In March 2006, the FASB staff issued FSP FTB 85-4-1, *Accounting for Life Settlement Contracts by Third-Party Investors*, which provides guidance for investments by third-party investors in life insurance contracts. Although not specifically applicable to not-for-profit organizations if life insurance contracts are acquired by gift, organizations may choose to analogize to this FSP if they hold life insurance policies as investments rather than as protection against loss (for example, life insurance contracts on key personnel protect against loss).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. Are investments in life insurance reported using one of the following measurements:			
a. Amounts that can be realized as of the statement-of-financial-position date? [FTB 85-4 par. 2]	_____	_____	_____
b. Transaction price plus all initial direct external costs, which is then tested for impairment? ( <i>Note:</i> Transaction price is fair value at date of gift if policy is gifted.) [FSP FTB 85-4-1 par. 6-7]	_____	_____	_____
c. Fair value? [FSP FTB 85-4-1 par. 8]	_____	_____	_____
13. If the organization chooses to report using measurement <i>b</i> or <i>c</i> in the preceding question 12, do the financial statements include the disclosures required by FSP-FTB 85-4-1? [FSP FTB 85-4-1 par. 9-10 and 12-19]	_____	_____	_____

**L. Interfund Borrowings**

1. Are interfund receivables and payables clearly identified and arranged in the statement of financial position to eliminate their amounts when displaying total assets or liabilities? [SFAS 117 par. 85 fn 8]	_____	_____	_____
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**M. Current Liabilities**

1. For classified statements of financial position, do current liabilities include			
a. obligations for items that entered the operating cycle?	_____	_____	_____
b. collections received in advance of the delivery of goods or performance of services?	_____	_____	_____
c. debts that arise from operations directly related to the operating cycle?	_____	_____	_____
d. other liabilities whose regular and ordinary liquidation is expected to occur within a relatively short time period?	_____	_____	_____
e. obligations that, by their terms, are due on demand or will be due within one year (or operating cycle, if longer) from the balance-sheet date, even though liquidation may not be expected within that period? [ARB 43 ch. 3A par. 7-8; SFAS 78 par. 5]	_____	_____	_____
f. long-term obligations that are or will be callable by the creditor because of the organization's default at the date of the statement of financial position?	_____	_____	_____
2. In classified statements of financial position, are current portions of debt obligations presented as current liabilities? [ARB 43 ch. 3A par. 7-8]	_____	_____	_____
3. In classified statements of financial position, do current liabilities exclude short-term obligations that the organization intends to refinance on a long-term basis, provided the organization demonstrates the ability to consummate the long-term financing? [SFAS 6 par. 9-14; FIN 8]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Note:</b> SFAS 158, an amendment of FASB Statement Nos. 87, 88, 106, and 132(R), requires employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their statement of financial position as of the end of the fiscal year ending after June 15, 2007. For additional information, refer to section I. M, "Pension and Other Postretirement Benefit Plans."			

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4. In classified statements of financial position, is the current liability for defined benefit postretirement plans, including pensions, determined on a plan-by-plan basis as the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months (or operating cycle if longer) exceeds the fair value of plan assets?

[SFAS 87 par. 36, as amended by SFAS 158 par. C2(k); SFAS 106 par. 44A–44B, as amended by SFAS 158 par. D2(d)]

\_\_\_\_\_

#### N. Notes Payable and Other Debt

1. Is there adequate disclosure of interest rates, maturities, and other terms and conditions, such as assets pledged as collateral, of loan agreements, bond indentures, and any special borrowing agreements?

[SFAS 5 par. 18–19; AAG 4.05; Generally Accepted]

\_\_\_\_\_

2. Are the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented?

[SFAS 47 par. 10b]

\_\_\_\_\_

3. Is the following information about interest costs disclosed:

a. For an accounting period in which no interest is capitalized, the amount of interest cost incurred and charged to expense for the period?

\_\_\_\_\_

b. For an accounting period in which interest is capitalized, the amount of interest cost incurred and the amount thereof that has been capitalized?

\_\_\_\_\_

[SFAS 34 par. 21]

4. For unconditional purchase obligations that have been recorded in accordance with SFAS 47, *Disclosure of Long-Term Obligations*, paragraph 6 are the amount of payments due in the aggregate and for each of the 5 years following the date of the latest statement of financial position presented disclosed?

[SFAS 47 par. 10a]

\_\_\_\_\_

5. If a note is noninterest bearing or has an inappropriate stated interest rate

a. is the discount or premium presented as a deduction from or addition to the face amount of the note?

\_\_\_\_\_

b. does the disclosure include the effective interest rate and face amount of the note?

\_\_\_\_\_

c. is amortization of the discount or premium reported as interest in the statement of activity?

\_\_\_\_\_



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. are issue costs reported in the statement of financial position as deferred charges? [APB 21 par. 16]	_____	_____	_____
6. If a short-term obligation (including a long-term obligation that is callable because of default) is to be classified as a long-term borrowing, do disclosures include			
a. general description of the financing agreement?	_____	_____	_____
b. terms of any new obligation incurred or expected to be incurred, as a result of the refinancing? [SFAS 6 par. 15; SFAS 78 par. 5]	_____	_____	_____
7. If the organization finances its activities from the proceeds of tax-exempt bonds and other obligations issued through state and local financing authorities, is such financing reported as liabilities in the statement of financial position? [AAG 10.02]	_____	_____	_____
8. If the organization has pledged any of its assets as collateral, has it either			
a. reclassified and separately reported the assets?	_____	_____	_____
b. disclosed the carrying amount and classification of those assets as of the date of the latest statement of financial position presented? [SFAS 140 par. 17a2]	_____	_____	_____
9. If debt was considered to be extinguished by in-substance defeasance under the provisions of SFAS 76, <i>Extinguishment of Debt—an amendment of APB Opinion No. 26</i> prior to December 31, 1996, is a general description of the transaction and the amount of debt that is considered extinguished at the end of the period disclosed so long if the debt remains outstanding? [SFAS 140 par. 17b]	_____	_____	_____
10. If assets are set aside after December 31, 1996, solely for satisfying scheduled payments on a specific obligation, is a description of the nature of the contractual restrictions placed on those assets disclosed? [SFAS 140 par. 17c]	_____	_____	_____
11. If a troubled debt restructuring occurred during the period, have the following disclosures been made:			
a. A description of the principal changes in terms, the major features of settlement, or both?	_____	_____	_____
b. The aggregate gain on restructuring of payables and the tax effect, if any?	_____	_____	_____
c. The aggregate gain or loss on assets transferred to a creditor to settle a debt? [SFAS 15 par. 25]	_____	_____	_____
12. For periods after a troubled debt restructuring, have the following disclosures been made:			
a. The extent to which amounts contingently payable are included in the liability for the restructured payables?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. Total amounts contingently payable and the conditions under which those amounts would become payable or be forgiven? (This disclosure is required if it is reasonably possible that a liability for contingent payments will be incurred.) [SFAS 15 par. 26]</p>	_____	_____	_____
<p><b>Note:</b> SFAS 159 permits an organization to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in the statement of activities as those changes occur. SFAS 159 is effective as of the beginning of an organization's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the organization also elects to apply the provisions of SFAS 157.</p>			
<p>13. If the organization measures certain long-term debt instruments at fair value under the option in SFAS 159 or the option in paragraph 16 of SFAS 133, did it disclose the difference between the aggregate fair value and the aggregate unpaid principal balance of long-term debt instruments that have contractual principal amounts and for which the fair value option has been elected? [SFAS 159 par. 18d]</p>	_____	_____	_____
<p>14. As of each date for which a statement of activities is presented, has the organization disclosed the following information about liabilities that are measured at fair value under the option in SFAS 159 or the option in paragraph 16 of SFAS 133 for which fair values have been significantly affected during the reporting period by changes in the instrument-specific credit risk:</p> <p>a. The estimated amount of gains and losses from fair value changes included in change in each of the net asset classes (unrestricted, temporarily restricted, and permanently restricted), and in the intermediate measure of operations, if one is presented, that are attributable to changes in the instrument-specific credit risk?</p> <p>b. Qualitative information about the reasons for those changes?</p> <p>c. How the gains and losses attributable to changes in instrument-specific credit risk were determined? [SFAS 159 par. 19d]</p>	_____	_____	_____
<p>15. Have the necessary disclosures about financial instruments been made? (Refer to section II.E, "Financial Instruments.")</p>	_____	_____	_____
<b>O. Leases as Lessee</b>			
<p>1. For capital leases, do disclosures include</p> <p>a. gross amounts of assets recorded by major classes as of the date of each statement of financial position presented? [SFAS 13 par. 16a; AAG 9.13]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. future minimum lease payments as of the date of the latest statement of financial position presented, in the aggregate and for each of the five succeeding fiscal years, with separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13 par. 16a]	_____	_____	_____
c. total of future minimum sublease rentals under noncancelable subleases as of the date of the latest statement of financial position presented? [SFAS 13 par. 16a]	_____	_____	_____
d. total contingent rentals actually incurred for each period for which a statement of activity is presented? [SFAS 13 par. 16a]	_____	_____	_____
e. separate identification of			
(1) assets recorded under capital leases?	_____	_____	_____
(2) accumulated amortization of capital leases?	_____	_____	_____
(3) obligations under capital leases?	_____	_____	_____
(4) amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense? [SFAS 13 par. 13]	_____	_____	_____
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include			
a. future minimum rental payments required as of the date of the latest statement of financial position presented in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
b. total of future minimum rentals to be received under noncancelable subleases as of the date of the latest statement of financial position presented? [SFAS 13 par. 16b]	_____	_____	_____
3. For all operating leases, do disclosures include rental expense for each period for which a statement of activities (or revenue and expenses) is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13 par. 16c]	_____	_____	_____
4. For operating leases, are contingent rentals recognized prior to the achievement of the specified target that triggers the contingent rental expense if the achievement of that target is considered probable? [EITF 98-9]	_____	_____	_____
5. Do disclosures include a general description of the lessee's leasing arrangements, including but not limited to			
a. bases for determining contingent rentals?	_____	_____	_____
b. existence and terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. restrictions imposed by lease agreements (for example, those concerning dividends, additional debt, and further leasing?) [SFAS 13 par. 16d]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Is the nature and extent of leasing transactions with related parties disclosed? [SFAS 13 par. 29]	_____	_____	_____
7. If material, is the accounting policy used in recognizing amounts related to a modification of an operating lease (that does not change the lease classification) disclosed? [EITF 95-17]	_____	_____	_____
8. Is separate disclosure made of improvements to leased facilities and equipment? [AAG 9.13]	_____	_____	_____
9. If the organization leases property or equipment under a sales-lease-back agreement, does the organization disclose the information required by SFAS 98, <i>Accounting for Leases</i> , paragraphs 17-18? [SFAS 98 par. 17-18]	_____	_____	_____
10. If the organization indemnifies the lessor for preexisting environmental contamination and the likelihood of loss is reasonably possible, have the disclosures required by SFAS 98 been made? [EITF 97-1]	_____	_____	_____

**P. Other Liabilities and Deferred Credits**

1. Are liabilities properly accrued and reported for employees' compensation for future absences, including sabbatical leaves described in EITF 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, <i>Accounting for Compensated Absences</i> ?" [SFAS 43 par. 6; EITF 06-2]	_____	_____	_____
2. If an obligation for compensated absences or postemployment benefits is not accrued in accordance with SFAS 5 or SFAS 43, <i>Accounting for Compensated Absences</i> , only because the amount cannot be reasonably estimated, is the fact that the benefits have not been accrued disclosed in the financial statements? [SFAS 43 par. 6; SFAS 112 par. 7]	_____	_____	_____
3. Do the notes to the financial statements include information about an aging schedule of unconditional promises to give (showing the total amount separated into amounts payable in less than one year, in one to five years, and in more than five years) and the unamortized discount? [AAG 10.09]	_____	_____	_____
4. If the organization has incurred a legal obligation associated with the retirement of a tangible long-lived asset (including certain leases, such as coal or timber leases) that results from the acquisition, construction, or development and (or) normal operation of that long-lived asset (but not solely from a plan to sell or dispose of the asset), has it disclosed			
a. the general description of the asset retirement obligation and the associated long-lived assets?	_____	_____	_____
b. the fair value of assets that are legally restricted for purposes of settling the asset retirement obligation?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. a reconciliation of the beginning and ending aggregated carrying amount of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, if there is a significant change in one or more of those four components during the reporting period? [SFAS 143 par. 22]	_____	_____	_____
5. If the organization cannot reasonably estimate an asset retirement obligation, has it disclosed that fact and the reasons that it is unable to estimate the obligation? [SFAS 143 par. 22]	_____	_____	_____

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**Note:** SFAS 158, an amendment of FASB Statement Nos. 87, 88, 106, and 132(R), requires employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their statement of financial position as of the end of the fiscal year ending after June 15, 2007. For additional information, refer to section I. M, "Pension and Other Postretirement Benefit Plans."

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6. If the organization has defined benefit pension plans for which the projected benefit obligation exceeds the fair value of plan assets			
a. is the aggregate amount of all unfunded projected benefit obligations reported as a liability?	_____	_____	_____
b. if the organization presents a classified statement of financial position, is the entire liability classified as a noncurrent unless there is a current portion? (Refer to section II.M question 4.) [SFAS 87 par. 35–36, as amended by SFAS 158 par. C2(j)–(k)]	_____	_____	_____
7. If the organization has defined benefit postretirement plans other than pensions for which accumulated postretirement benefit obligation exceeds the fair value of plan assets			
a. is the aggregate amount of all underfunded plans reported as a liability?	_____	_____	_____
b. if the organization presents a classified statement of financial position, is the entire liability classified as a noncurrent unless there is a current portion? (Refer to section II.M question 4.) [SFAS 106 par. 44A–44B, as amended by SFAS 158 par. D2(d)]	_____	_____	_____

#### Q. Agency Transactions

1. If the organization acts as an agent or intermediary, has it recorded a liability to the resource provider if the transfer is revocable or repayable? [SFAS 136 par. 17]	_____	_____	_____
2. If the organization acts as an agent or intermediary in a transfer in which the resource provider specified itself or its affiliate as beneficiary, has it reported the transfer as			
a. an equity transaction if the criteria in paragraph 18 of SFAS 136 are met?	_____	_____	_____
b. a liability if the criteria in paragraph 18 of SFAS 136 are not met? [SFAS 136 par. 17–18]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If the organization acts as an agent or intermediary in a transfer in which the donor granted variance power and named an <i>unaffiliated</i> entity as the beneficiary, has it reported the transfer as a contribution? [SFAS 136 par. 12]	_____	_____	_____
4. If the organization acts as an agent or intermediary in a transfer in which it is financially interrelated to the specified beneficiary (as defined in paragraph 13 of SFAS 136), has it reported the transfer as a contribution? [SFAS 136 par. 14]	_____	_____	_____
5. If the organization acts as an agent or intermediary in a transfer that is not revocable or repayable, does not involve financially interrelated parties, and in which the donor did not grant variance power, has it reported the resources received as increases in assets and liabilities and has it reported the distribution of those resources to the beneficiaries as decreases in those accounts, except as noted in the following question 6 ? [SFAS 136 par. 8 and 11]	_____	_____	_____
6. If the organization received nonfinancial assets in a transfer of the type described in question 5, did it report the receipt of those nonfinancial assets as assets and liabilities <i>only</i> if that is its accounting policy, it reports consistently from period to period, and it discloses that policy in the financial statements? [SFAS 136 par. 8 and 11]	_____	_____	_____
7. In transactions in which the organization is acting as a trustee, are cash or other financial assets received reported as increases in assets and liabilities and are distributions of the cash or other financial assets to the specified third parties reported as decreases in those accounts? [AAG 5.11]	_____	_____	_____
<b>R. Restricted Resources</b>			
1. Are cash or other assets received with a donor-imposed restriction that limits their use to long-term purposes reported separately from assets that are unrestricted and available for current use? [SFAS 117 par. 11]	_____	_____	_____
2. Does the organization provide information about the nature and amounts of different types of permanent restrictions and temporary restrictions by reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements? [SFAS 117 par. 14, AAG 11.15]	_____	_____	_____
<b>S. Mandatorily Redeemable Interests</b>			
1. Are unconditional mandatorily redeemable financial instruments classified as liabilities if those instruments are mandatorily redeemable on fixed dates unless the redemption is required to occur only upon the liquidation or termination of the reporting entity? ( <i>Note: A mandatorily redeemable financial instrument is conditional if the obligation depends upon the occurrence of an event not certain to occur. Death is not uncertain of occurrence; thus, death is not a condition.</i> ) [SFAS 150 par. 9]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If all of the organization's net assets are unconditional mandatorily redeemable financial instruments required to be classified as liabilities (that is, they are redeemable on fixed dates)			
a. are those instruments described as <i>memberships subject to mandatory redemption</i> in statements of financial position to distinguish them from other liabilities?	_____	_____	_____
b. are payments to holders of those instruments presented separately from payments to other creditors in statements of activities and cash flows?	_____	_____	_____
c. are related accruals presented separately from amounts due to other creditors in statements of activities and cash flows? [SFAS 150 par. 19]	_____	_____	_____
3. If all of the organization's net assets are unconditional mandatorily redeemable financial instruments required to be classified as liabilities (that is, they are redeemable on fixed dates) and the redemption price of those financial instruments exceeds the organization's net assets, is the cumulative transition adjustment and any subsequent adjustments reported as an excess of liabilities over assets (a deficit net assets) and changes thereto even though the mandatorily redeemable shares are reported as a liability? [FSP FAS 150-2]	_____	_____	_____
4. Does the organization provide information about the nature and terms of mandatorily redeemable financial instruments and the rights and obligations embodied in those instruments, including information about settlement alternatives, if any, and who controls the settlement alternatives? [SFAS 150 par. 26]	_____	_____	_____
5. For all outstanding mandatorily redeemable financial instruments and for each settlement alternative, does the organization provide information about			
a. the amount that would be paid determined under the conditions specified in the contract if the settlement were to occur at the reporting date?	_____	_____	_____
b. how changes in the fair value of the membership (dues or initiation fees) would affect those settlement amounts (for example, "the organization is obligated to pay an additional y dollars in cash for each \$100 increase in the fair value of the membership")?	_____	_____	_____
c. the maximum amount that the organization could be required to pay to redeem the instruments or that the contract does not limit the amount that the issuer could be required to pay, as applicable? [SFAS 150 par. 27]	_____	_____	_____

### III. Statement of Activities

#### A. General

1. Does the statement of activities report the amount of change in net assets for the period for the organization as a whole (using a descriptive term such as "change in net assets" or "change in equity"), and does that amount articulate to the net assets reported in the statement of financial position?  
        [SFAS 117 par. 18]

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Does the statement of activities report the amount of change in permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets for the period? [SFAS 117 par. 19]	_____	_____	_____
3. Does the statement of activities report the following:			
a. Revenues as increases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions?	_____	_____	_____
b. Expenses as decreases in unrestricted net assets?	_____	_____	_____
c. Events that simultaneously increase one class of net assets and decrease another (reclassifications), including expiration of donor-imposed restrictions, separately from revenues, expenses, gains, and losses?	_____	_____	_____
d. Gains and losses as increases and decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use? [SFAS 117 par. 19–20 and 22; SFAS 116 par. 17]	_____	_____	_____
4. If the organization reports an intermediate measure of operations (for example, excess or deficit of operating revenues over expenses), is this intermediate measure reported only in a financial statement that, at a minimum, reports the change in unrestricted net assets for the period? [SFAS 117 par. 23]	_____	_____	_____
5. If the organization's use of the term operations is not apparent from the details provided on the face of the statement of activities, does a note to financial statements describe the nature of the reported measure of operations or the items excluded from operations? [SFAS 117 par. 23]	_____	_____	_____
6. Does the statement of activities report gross amounts of revenues and expenses? <sup>3</sup> [SFAS 117 par. 24]	_____	_____	_____
7. If the organization reports net gains and losses on its statement of activities, do these net amounts result from peripheral or incidental transactions or from events largely beyond the control of the organization and its management? [SFAS 117 par. 25 and 138]	_____	_____	_____
8. If special events and other fund raising activities are ongoing major or central activities of the organization, are the revenues and expenses related to those events and activities reported as gross amounts? [SFAS 117 par. 138; AAG 13.21]	_____	_____	_____
9. Are costs that are netted against receipts from peripheral or incidental special events limited to direct costs? [AAG 13.25]	_____	_____	_____
10. Are sales revenues and cost of goods sold reported net of estimated returns? [SFAS 48 par. 7]	_____	_____	_____
11. Are material events or transactions that are either unusual in nature or of infrequent occurrence, but not both (and therefore not meeting criteria for extraordinary items)			

<sup>3</sup> Investment revenues may be reported net of related expenses.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. reported as a separate component of income from continuing operations?	_____	_____	_____
b. accompanied by disclosure of the nature and financial effects of each event? [APB 30 par. 26]	_____	_____	_____
12. In a period in which a component of an organization either has been disposed of or is classified as held for sale, do the statements of activities for the current period and any prior periods presented			
a. include the results of operations of the component in discontinued operations?	_____	_____	_____
b. include the initial loss recognized on disposal (from the adjustment of carrying-value to fair value less cost to sell) in discontinued operations?	_____	_____	_____
c. include any subsequent increase in fair value less cost to sell (not in excess of cumulative losses recognized) in discontinued operations?	_____	_____	_____
d. report the results of discontinued operations before extraordinary items and the cumulative effect of accounting changes? [SFAS 144 par. 37 and 43]	_____	_____	_____
13. If the organization has disposed of a component that generates continuing cash flows all of which are indirect, does the organization disclose the following information in the notes to the financial statements:			
a. The nature of the activities that give rise to continuing cash flows?	_____	_____	_____
b. The period of time continuing cash flows are expected to be generated?	_____	_____	_____
c. The principal factors used to conclude that the expected continuing cash flows are not direct cash flows of the disposed component? [EITF 03-13 par. 17]	_____	_____	_____
14. If an organization engages in a "continuation of activities" with a disposed component after its disposal and the amounts presented in continuing operations after the disposal transaction include a continuation of revenues and expenses that were intercompany transactions (eliminated in consolidated financial statements) before the disposal transaction, does the organization disclose the following information:			
a. Intercompany amounts before the disposal transaction for all periods presented?	_____	_____	_____
b. The types of continuing involvement, if any, that the entity will have after the disposal transaction (required only in the period in which operations are initially classified as discontinued)? [EITF 03-13 par. 17]	_____	_____	_____

**B. Revenue Recognition (Other Than Contributions)**

1. If the organization regularly provides discounts to certain recipients of its goods or services, are revenues reported net of those discounts or are the discounts displayed immediately beneath the revenues? [AAG 12.05]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are all amounts related to shipping and handling fees and costs billed to a customer in a sale transaction classified as revenue, rather than a reduction of expense? [EITF 00-10]	_____	_____	_____
3. If a customer (grantor) reimburses the organization for "out-of-pocket" expenses (such as mileage, airfare, hotel, photocopies, and telephone), are reimbursements received classified as revenue in the statement of activities? [EITF 01-14]	_____	_____	_____
4. If the organization sells multiple products, services, or rights to use assets in a single agreement, does it disclose			
a. its accounting policy for recognition of revenue from multiple-deliverable arrangements (for example, whether deliverables are separable into units of accounting)?	_____	_____	_____
b. the description and nature of such arrangements, including performance-, cancellation-, termination-, or refund-type provisions? [EITF 00-21 par. 18]	_____	_____	_____

### C. Taxes

1. Does the organization disclose the following information about its tax status:			
a. Reference to the Internal Revenue Code section under which the organization is exempt?	_____	_____	_____
b. Whether the organization is classified as a private foundation? [AAG 15.21]	_____	_____	_____
2. If the organization's tax exempt status is in question by the IRS, is the potential impact disclosed? [SFAS 5 par. 1 and 39; AAG 10.13]	_____	_____	_____
3. If the organization incurs income tax expense, do the notes to the financial statements disclose the amount of the taxes and describe the nature of the activities that generated the taxes? [AAG 13.59]	_____	_____	_____
4. If the organization incurs income tax expense, do the notes to the financial statements include the disclosures required by SFAS 109, <i>Accounting for Income Taxes</i> ? [SFAS 109 par. 43-49]	_____	_____	_____

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**Note:** FSP FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, defers the effective date of FIN 48, *Accounting for Uncertainty in Income Taxes*, to fiscal years beginning after December 15, 2007, for nonpublic enterprises as defined by paragraph 289 of SFAS 109, including nonpublic not-for-profit organizations. Earlier application is permitted. Not-for-profit organizations that have already adopted the provisions of FIN 48 are not eligible for the deferral.

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. If the organization incurs tax penalties and interest, has it disclosed the total amounts of interest and penalties recognized in the statement of activities, the total amounts of interest and penalties recognized in the statement of financial position, and its policy on classification of interest and penalties? [FIN 48 par. 20–21]	_____	_____	_____
6. If the organization has unrecognized tax benefits, has it disclosed the information about those benefits required by FIN 48? [FIN 48 par. 20–21]	_____	_____	_____
7. Has the organization disclosed the tax years that remain subject to examination by major tax jurisdictions? [FIN 48 par. 21]	_____	_____	_____
<b>D. Refunds Due To and Advances From Third Parties</b>			
1. Are advances from third parties for services not yet performed, as well as refunds due to third parties for amounts previously received, included as liabilities on the statement of financial position? [AAG 10.06]	_____	_____	_____
<b>E. Donated or Contributed Services</b>			
1. If the organization receives contributed services, does it disclose the following:			
a. A description of the programs or activities for which those services were used?	_____	_____	_____
b. The nature and extent of contributed services received for the period?	_____	_____	_____
c. The amount recognized as revenues for the period?	_____	_____	_____
d. The fair value of contributed services received but not recognized, if practicable (optional)?	_____	_____	_____
e. Nonmonetary information such as the number and trends of donated hours received or service outputs provided by volunteer efforts (optional)?	_____	_____	_____
f. Dollar amount of contributions raised by volunteers (optional)? [SFAS 116 par. 10 and 123]	_____	_____	_____
<b>F. Donated Materials and Facilities</b>			
1. If donated materials merely pass through the organization to its charitable beneficiaries, and the organization is only an agent or intermediary for the donors, has that donation been excluded from contribution revenues? (Refer to section II.Q, "Agency Transactions.") [SFAS 116 par. 52–53; SFAS 136 par. 8 and 11]	_____	_____	_____
2. If the organization receives materials, supplies, utilities, or use of facilities without charge or at a price below fair value, is the contribution reported at the fair value in which it is received and an expense reported in the period in which it is used? [AAG 5.57]	_____	_____	_____

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 3. If the organization receives the unconditional use of facilities for a specified period of time at a price below fair value, is the fair value of that future use included in contributions in the period in which the donor promises the use, and is the amount recognized less than or equal to the fair value of the property at the time of the promise?<br>[AAG 5.58] | _____      | _____     | _____      |

**G. Fund Raising**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Do the financial statements disclose total fund raising expenses?<br>[AAG 13.34]  | _____ | _____ | _____ |
| 2. If the organization includes within its financial statements a ratio of fundraising expenses to amounts raised, has it disclosed how that ratio was computed?<br>[SFAS 136 par. 20]   | _____ | _____ | _____ |
| 3. If the organization performs a fund raising in conjunction with an activity that has program, management and general, membership development or other functional elements (joint activity), does the organization                             |       |       |       |
| a. report all costs of the activity as fund raising expenses if any of the criteria of purpose, audience, and content are not met?   | _____ | _____ | _____ |
| b. charge the costs of the activity that are identifiable with a particular function to that function and allocate the joint costs between fund raising and that other function if all three criteria of purpose, audience, and content are met? | _____ | _____ | _____ |
| c. exclude costs of goods and services that are provided in exchange transactions that are part of the joint activity (for example, direct donor benefits of a special event) from fund raising expenses?<br>[AAG 13.42]                         | _____ | _____ | _____ |
| 4. If the organization allocates joint costs of joint activities, are the following disclosures made:  |       |       |       |
| a. The types of activities for which joint costs have been incurred?   | _____ | _____ | _____ |
| b. A statement that joint costs have been allocated?   | _____ | _____ | _____ |
| c. The total amount allocated during the period and the portion allocated to each functional expense category?<br>[AAG 13.53]  | _____ | _____ | _____ |
| 5. If the organization allocates joint costs of joint activities, has it considered the optional disclosure of the amount of joint costs for each kind of joint activity?<br>[AAG 13.54]   | _____ | _____ | _____ |
| 6. If there are no significant benefits or duties connected with an organization's membership, are the costs associated with membership-development activities reported as fundraising expense?<br>[AAG 13.35]                                   | _____ | _____ | _____ |

**H. Contributions**

- |   |       |       |       |
|---|-------|-------|-------|
| 1. Does the organization distinguish between contributions received with permanent restrictions, those received with temporary restrictions, and those received without donor-imposed restrictions, so that they are reported as support increasing permanently restricted net assets, temporarily restricted net assets, or unrestricted net assets, respectively?<br>[SFAS 116 par. 14] | _____ | _____ | _____ |
|---|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support, is such treatment consistent from period to period, is the policy disclosed and does the organization have a similar policy for the reporting of gains and investment income? [SFAS 117 par. 21; SFAS 116 par. 14; AAG 5.42]	_____	_____	_____
3. Does the organization report receipt of unconditional promises to give with payments due in future periods as restricted support, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended the contribution to be used to support activities of the current period? [SFAS 116 par. 15]	_____	_____	_____
4. Does an organization that receives gifts of long-lived assets without donor stipulation about how long the donated asset must be used			
a. disclose its accounting policy of implying or not implying a time restriction that expires over the useful life of the asset?	_____	_____	_____
b. report such support as restricted if it is the organization's policy to imply a time restriction that expires over the useful life of the donated asset?	_____	_____	_____
c. report such support as unrestricted in the absence of such a policy? [SFAS 116 par. 16; AAG 9.13]	_____	_____	_____
5. Does an organization that receives unconditional promises to give in which cash promised will be received in future periods measure the fair value of the contribution and report subsequent accruals of the interest element as contribution income increasing either the temporarily or permanently restricted class of net assets if the underlying promise to give is donor restricted? [SFAS 116 par. 20, as amended by SFAS 157 par. E16(b)]	_____	_____	_____
<b>I. Split-Interest Agreements</b>			
1. Are assets and liabilities recognized under split-interest agreements disclosed separately from other assets and liabilities in the statement of financial position or in the related notes? [AAG 6.20]	_____	_____	_____
2. If a split-interest gift contains an embedded derivative (charitable remainder unitrusts with period-certain payments or period-certain-plus-life-dependent payments and certain lead interest trusts), is the embedded derivative reported at fair value? [AAG 6.47]	_____	_____	_____
3. Is contribution revenue and changes in the value of split-interest agreements recognized under such agreements disclosed as separate line items in the statement of activities or in the related notes? [AAG 6.20]	_____	_____	_____
4. Do the notes to the financial statements include the following disclosures related to split-interest agreements:			
a. A description of the general terms of existing split-interest agreements?	_____	_____	_____
b. The basis used for recognized assets?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The discount rates and actuarial assumptions used in calculating present value?	_____	_____	_____
d. The existence of any legally mandated reserves?	_____	_____	_____
e. The existence of any limitations placed by state law, such as limitations on the instruments in which resources are invested? [AAG 6.09 fn 11, 6.20, and 6.37 fn 18]	_____	_____	_____
5. Is contribution revenue recognized under split-interest agreements classified as			
a. permanently restricted net assets, if the donor has permanently restricted the organization's use of its interest?	_____	_____	_____
b. unrestricted net assets, if the organization has the immediate right to use its interest without restrictions?	_____	_____	_____
c. temporarily restricted net assets, if not classified as permanently restricted or unrestricted net assets? [AAG 6.08]	_____	_____	_____
6. If an obligation under a split-interest agreement that contains an embedded derivative is reported at fair value under a SFAS 155 election or a SFAS 133 practicability exception, has the organization made the disclosures required by section II.D questions 11–12? [SFAS 133 par. 44A–44B]	_____	_____	_____

#### J. Expenses

1. Does the organization provide information about expenses reported by their functional classification (such as major classes of program services and supporting services) either in the statement of activities or in notes to financial statements? (VHWOs omit this step. Note that "losses" need not be reported by their functional classification.) [SFAS 117 par. 26]	_____	_____	_____
2. Are expenses that relate to more than one program or supporting activity allocated among the appropriate functions? [AAG 13.36]	_____	_____	_____
3. Are payments to affiliated organizations reported by their functional classification to the extent that it is practicable and reasonable to do so? [AAG 13.57]	_____	_____	_____
4. Are payments to affiliates that cannot be allocated to functions treated as a separate supporting service and reported in the statement of activities as a separate line item, and labeled "unallocated payments to affiliated organizations"? [AAG 13.57]	_____	_____	_____
5. If the components of the organization's total program expenses are not evident from the details provided on the face of the statement of activities, do the notes to the financial statements disclose total program expenses and provide information about why total program expenses disclosed in the notes does not articulate with the statement of activities? [AAG 13.31]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If in exchange for goods or services provided to the organization, the organization provides discounts or other reductions in amounts it charges for goods and services, are such reductions reported as expenses in the same functional classification in which the cost of the goods or services provided to the organization are reported? (For example, if a college provided tuition remission to its employees as an employee benefit, it would report those reductions in the same functional class as the employees' salaries.) [AAG 13.07]	_____	_____	_____
7. If reductions in amounts the organization charges for goods and services are given <i>other than</i> in exchange for goods or services provided to the organization, are such amounts reported as follows:			
a. As expenses to the extent that the organization incurs incremental expense in providing such goods or services?	_____	_____	_____
b. As discounts if the organization incurs no incremental expense in providing such goods or services (discounts may be netted with related revenue or displayed immediately beneath the revenue amount)? [AAG 12.05 and 13.07]	_____	_____	_____
8. Are accrued net losses on purchase commitments either (a) disclosed in the notes to the financial statements because expenses are reported by functional classification on the face of the statement of activities or (b) reported as a separate line item in a statement of activities that reports expenses by natural classification? [ARB 43 ch. 4 par. 17]	_____	_____	_____
9. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12 par. 6–7, as amended by SFAS 106 par. 13]	_____	_____	_____
10. If the organization is a voluntary health and welfare organization, has it provided information about the functional and natural classifications of expenses in the statement of functional expenses and met the requirements of section IV.A? [SFAS 117 par. 26]	_____	_____	_____

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**Note:** SFAS 158, an amendment of FASB Statement Nos. 87, 88, 106, and 132(R), requires employers to recognize the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their statement of financial position as of the end of the fiscal year ending after June 15, 2007. For additional information, refer to section I. M, "Pension and Other Postretirement Benefit Plans."

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11. Does the organization report as a separate line item or items within changes in unrestricted net assets, apart from expenses, the gains or losses and the prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS 87 and 106? [SFAS 87 par. 74A, as amended by SFAS 158 par. C2(s)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. Does the organization report the contra adjustment or adjustments that result from the reclassification to net periodic pension cost and net period postretirement benefit cost (from the net gain or loss and prior service costs or credits previously recognized pursuant to question 11 and from the transition asset or obligation remaining from the initial application of SFAS 87 and 106) in the same line item or items within changes in unrestricted net assets, apart from expenses, as the initially recognized amounts? [SFAS 87 par. 74B, as amended by SFAS 158 par. C2(s); SFAS 106 par. 103B, as amended by SFAS 158 par. D2(u)]	_____	_____	_____
13. Does the organization report net periodic pension cost and net periodic postretirement benefit cost by functional classification? [SFAS 87 par. 74B, as amended by SFAS 158 par. C2(s); SFAS 106 par. 103B, as amended by SFAS 158 par. D2(u)]	_____	_____	_____

#### K. Investments and Endowments

1. If realized gains and losses arise from selling or otherwise disposing of investments for which unrealized gains and losses have been recognized in the statement of activities of prior reporting periods, does the amount reported in the statement of activities as gain or loss upon the sale or other disposition of the investments exclude the amount that has been previously recognized in the statement of activities? (The components of that gain or loss may be reported as the realized amount and the change in the unrealized amount, which was recognized in prior reporting periods.) [AAG 8.13]	_____	_____	_____
2. Unless the organization has made the election described in question 3 that follows, does the organization report income and gains on investments and donor-restricted endowment funds as			
a. increases in permanently restricted net assets if a donor's explicit restriction or a law that extends a donor's restriction to the gains requires those gains to be held permanently (for example, if a donor states that a specific investment must be held in perpetuity, the gains on that security are subject to that same permanent restriction unless the donor states otherwise)?	_____	_____	_____
b. increases in temporarily restricted net assets if a donor's explicit restriction or a law that extends a donor's restriction to the gains requires those gains to be used for a particular purpose or at a particular future time (gains are temporarily restricted if the investment income of a donor restricted endowment fund is temporarily restricted by the donor)?	_____	_____	_____
c. increases in unrestricted net assets if neither of the preceding questions 2a–b is applicable to the gains? [SFAS 117 par. 22 and 129; SFAS 124 par. 8–9 and 11]	_____	_____	_____
3. If the organization has elected to report investment income and gains as increases in unrestricted net assets if the restrictions are met in the same period, are			
a. investment income and gains on which restriction have not been met reported as described in the preceding question 2 ?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. investment income and gains on which restrictions are met reported as increases in unrestricted net assets? [SFAS 124 par. 8-10]	_____	_____	_____
4. If an entity reports gains and investment income that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets because the restrictions are met in the same reporting period as the gains and income are recognized, does the entity			
a. have a similar policy for reporting contributions received?	_____	_____	_____
b. report consistently from period to period?	_____	_____	_____
c. disclose its accounting policy? [SFAS 124 par. 10]	_____	_____	_____
5. In the absence of donor stipulations or law to the contrary, does the organization report losses on investments and donor-restricted endowment funds as			
a. decreases in permanently restricted net assets if subject to a donor's explicit permanent restriction or a law that extends a donor's permanent restriction to the losses (for example, if a donor states that a specific investment must be held in perpetuity, the losses on that security are subject to that same permanent restriction unless the donor states otherwise)?	_____	_____	_____
b. decreases in temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of a donor-restricted endowment fund have not been met before the loss occurs?	_____	_____	_____
c. decreases in unrestricted net assets if losses exceed the temporarily restricted net appreciation of a donor-restricted endowment fund or if the investments are not subject to donor-imposed restrictions? [SFAS 124 par. 8, 11, and 12]	_____	_____	_____
6. If losses in prior periods reduced the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, are gains that restore the fair value of the assets of the endowment fund to the required level classified as increases in unrestricted net assets? [SFAS 124 par. 13]	_____	_____	_____
7. For each period that a statement of activities is presented, are the following disclosures made on the face of the financial statements or in the notes thereto:			
a. The composition of investment return including, at a minimum, investment income, net realized gains or losses on investments reported at other than fair value, and net gains or losses on investments reported at fair value?	_____	_____	_____
b. A reconciliation of investment return to amounts reported in the statement of activities, if investment return is separated into operating and nonoperating amounts?	_____	_____	_____
c. A description of the policy used to determine the amount of investment return included in the measure of operations, if investment return is separated into operating and nonoperating amounts?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. A discussion of circumstances leading to a change, if any, in the policy referred to in the preceding question 7c ? [SFAS 124 par. 14]	_____	_____	_____
8. Are significant net realized and net unrealized gains and losses that arose after the latest statement of financial position date, but before issuance of the financial statements, disclosed? [AU 560.05 and .07]	_____	_____	_____
9. For colleges and universities, is the amount of total investment income and realized and unrealized gains and losses of the other investment (investments not covered by SFAS 124) portfolio disclosed? [AAG 8.A.11]	_____	_____	_____
10. If the organization elects to report investment revenues net of related expenses, does the organization disclose the amount of expenses, either on the face of the statement of activities or in the notes to financial statements? [SFAS 117 par. 24]	_____	_____	_____

#### IV. Additional Financial Statements

##### A. Statement of Cash Flows

- |   |   |
|---|---|
| <p>1. Is a statement of cash flows presented as a basic financial statement for each period for which both a statement of financial position and a statement of activities is presented?<br/>[SFAS 95 par. 3, as amended by SFAS 117 par. 30a]</p> <p>2. Does the statement of cash flows report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents?<br/>[SFAS 95 par. 26]</p> <p>3. Are cash receipts and disbursements classified as cash flows from operating, investing, and financing activities in accordance with the classifications prescribed by SFAS 95, <i>Statement of Cash Flows</i>, paragraphs 14–24 (as amended by SFAS 102, <i>Statement of Cash Flows-Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale—an amendment of FASB Statement No. 95</i>, and SFAS 117)?<br/>[SFAS 95 par. 14–24, as amended by SFAS 102 and SFAS 117]</p> <p>4. Are amounts of cash receipts and cash disbursements reported gross unless the receipts and disbursements relate to (1) cash equivalents, (2) investments with an original maturity of three months or less, (3) loans receivable with an original maturity of three months or less, or (4) debt with an original maturity of three months or less?<br/>[SFAS 95 par. 11]</p> <p>5. Are cash payments for debt issue costs classified as a financing activity?<br/>[EITF 95-13]</p> <p>6. Are cash flows from purchases, sales, and insurance recoveries of unrecognized, noncapitalized collection items reported as investing activities?<br/>[AAG 7.08]</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |
|---|---|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Do the notes disclose the organization's accounting policy for determining which items are treated as cash equivalents? ( <i>Note:</i> Any change in policy for determining which items are treated as cash equivalents is a change in accounting principle.) [SFAS 95 par. 10]	_____	_____	_____
8. If the direct method is used, does the statement of cash flows separately report			
a. cash received from contributors?	_____	_____	_____
b. cash received from service recipients?	_____	_____	_____
c. interest and dividends received?	_____	_____	_____
d. cash collected on contributions receivable?	_____	_____	_____
e. other operating cash receipts (if any)?	_____	_____	_____
f. cash paid to employees and suppliers?	_____	_____	_____
g. grants paid?	_____	_____	_____
h. interest paid?	_____	_____	_____
i. other operating cash payments (if any)? [SFAS 95 par. 27, as amended by SFAS 117 par. 30e]	_____	_____	_____
9. If the direct method is used, is a separate reconciling schedule provided to reconcile the change in net assets to net cash used (provided) by operating activities? [SFAS 95 par. 29]	_____	_____	_____
10. If the indirect method is used, is the change in net assets reconciled to net cash flow from operating activities within the statement of cash flows or in a separate schedule? [SFAS 95 par. 28 and 30, as amended by SFAS 117 par. 30f]	_____	_____	_____
11. If the indirect method is used, are amounts of interest paid (net of amounts capitalized) and income taxes paid, if any, disclosed? [SFAS 95 par. 29, as amended by SFAS 117 par. 30]	_____	_____	_____
12. Are investing and financing activities that affect recognized assets or liabilities but that do not result in cash receipts or cash payments, including gifts of property or investments, disclosed? [SFAS 95 par. 32, as amended by SFAS 117 par. 30g]	_____	_____	_____
13. In the statement of cash flows, are amounts received with donor-imposed stipulations that they must be used for long-term purposes reported simultaneously as cash flow from financing activities and cash outflow from investing activities? [SFAS 117 par. 30(c); AAG 3.18]	_____	_____	_____
14. Is the reconciliation of the change in net assets to net cash used/provided by operating activities adjusted if noncash assets are contributed or if cash is received with donor imposed stipulations that require it to be used for long-term purposes (and thus is not included in "cash or cash equivalents" on the statement of financial position)? [AAG 3.18]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. If contributions with donor-imposed restrictions limiting their use to the purchase of equipment are received and the equipment is purchased in a subsequent period, are both the proceeds of the sale of the assets restricted to equipment investment and the purchase of the equipment reported as cash flows from investing activities? [AAG 3.18]	_____	_____	_____
16. Are cash flows from agency transactions included in cash flows from operating activities? [AAG 3.16]	_____	_____	_____
17. If cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows of the item being hedged, is that accounting policy disclosed? [SFAS 95 fn 4, as amended by SFAS 104 par. 4; SFAS 133 par. 530]	_____	_____	_____
18. If an other-than-insignificant financing element is present at the inception of a derivative instrument (other than financing elements inherently included in at-the-market derivative instrument with no prepayments), are all cash inflows and outflows associated with that derivative instrument reported as financing activities? [SFAS 95 par. 19, as amended by SFAS 149 par. 37]	_____	_____	_____

#### B. Statement of Functional Expenses

**Note:** Voluntary health and welfare organizations are required to present a statement of functional expenses. Other organizations are encouraged by the FASB to present that statement.

1. Is a statement of functional expenses presented as a basic financial statement for each period for which a statement of activities is presented? [SFAS 117 par. 26]	_____	_____	_____
2. If investment revenues are reported net of related expenses, are those expenses reported by their functional and natural classifications in the statement of functional expenses? [AAG 13.50]	_____	_____	_____
3. If certain expenses are reported by other than their natural classification on the statement of activities, are those expenses included with other expenses of the same natural classification on the statement of functional expenses? (For example, if certain salaries are included in cost of goods sold on the statement of activities, are they "regrouped" and reported along with other salaries and wages on the statement of functional expenses.) [AAG 3.14]	_____	_____	_____

# FSP Section 14,300

## Auditors' Reports Checklist

**.01** This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid. This checklist contains the basic requirements for reporting on an audit of the financial statements in accordance with generally accepted auditing standards (GAAS). It does not contain all requirements for reports required to be issued in audits in accordance with *Government Auditing Standards* (also referred to as the Yellow Book) or with the audit requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Illustrative auditor's reports are found in chapter 14 of the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*.

**.02** The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 or whose audit is prescribed by the rules of the Securities and Exchange Commission (SEC). Other entities are referred to as *nonissuers*. Because not-for-profit organizations (NPOs) are nonissuers, this checklist does not address PCAOB standards. However, while not common, the auditor may be engaged to audit and report on the effectiveness of an NPO's internal control over financial reporting in accordance with PCAOB auditing standards. In those cases, the auditor should modify this checklist considering the guidance in PCAOB standards. Refer to Auditing Interpretation No. 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," which interprets AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .89–.92). If the auditor is engaged to audit both an NPO's financial statements and management's assessment of the effectiveness of internal control over financial reporting in accordance with PCAOB auditing standards, refer to paragraphs 85–98 of PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Rules of the Board, "Standards"), for the audit reports that should be used.

**.03** Explanation of References:

SAS =	Statement on Auditing Standards
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
AR =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 2)
AAG =	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> (with conforming changes as of May 1, 2008)

**.04** Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Does the auditor's report include the appropriate			
a. addressee? [AU 508.09]	_____	_____	_____
b. date (or dual dates) of the report? [AU 530.05; AU 508.08 and .28]	_____	_____	_____
c. title that includes the word "independent?" [AU 508.08]	_____	_____	_____
d. titles of each financial statement in the introductory paragraph of the report? [AU 508.06]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. identification of the country of origin of the auditing standards followed in the audit engagement? [AU 508.08]	_____	_____	_____
f. identification of the country of origin of the accounting principles with which the financial statements purport to conform? [AU 508.08]	_____	_____	_____
2. If the auditor is not independent, is a disclaimer expressed and is a compilation report the highest level of service performed? [AU 504.05 and .09–.10]	_____	_____	_____
3. Is the report dated no earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial statements? [AU 530.01 and .05]	_____	_____	_____
4. Does the reporting language conform with the auditor's standard report on			
a. financial statements of a single year or period?	_____	_____	_____
b. comparative financial statements? [AU 508.08]	_____	_____	_____
5. Does the report include appropriate language for the following situations:			
a. Only one basic financial statement is presented and there are no scope limitations? [AU 508.33–.34]	_____	_____	_____
b. Audited and unaudited financial statements are presented in comparative form? [AU 504.15–.17]	_____	_____	_____
c. Different opinions are expressed on comparative financial statements? [AU 508.05]	_____	_____	_____
6. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if			
a. there is substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time, and is that conclusion expressed through the use of the phrase "substantial doubt about the organization's ability to continue as a going concern?"* [AU 341.12]	_____	_____	_____
b. there is a material change between periods in accounting principles or in the method of their application? [AU 508.16–.18]	_____	_____	_____
c. there is a change in the reporting entity that does not result from a transaction or event? [AU 420.08]	_____	_____	_____

\* In a going-concern paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. See AU section 311, *Planning and Supervision*, AU section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, and AU section 623, *Special Reports*, for examples.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. in an updated report on comparative financial statements, the current opinion on the prior period is different from the one previously expressed? [AU 508.68, .69, and .72-.73]	_____	_____	_____
e. the prior period financial statements are audited by a predecessor auditor whose report is not presented? [AU 508.74]	_____	_____	_____
f. the prior period's financial statements are audited by a predecessor auditor who has ceased operations? [Interpretation 15 of AU 508 (AU 9508.60-.75)]	_____	_____	_____
g. the auditor's opinion is based in part on the report of another auditor? [AU 543; AU 508.12-.13]	_____	_____	_____
h. the financial statements contain a departure from an accounting principle promulgated by bodies designated by the council in rule 203, but conformity with that principle would result in a misleading statement? [AU 508.14-.15]	_____	_____	_____
i. other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements? [AU 550.04]	_____	_____	_____
j. the auditor decides to emphasize a matter in the report? [AU 508.19; Interpretation 3 of AU 410 (AU 9410.17-.18); Interpretation 1 of AU 342 (AU 9342.03)]	_____	_____	_____
k. the auditor uses the work of a specialist in performing an audit and the auditor decides to add an explanatory paragraph?	_____	_____	_____

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**Note:** Reference to and identification of the specialist may be made if the auditor believes such a reference will facilitate an understanding of the reason for the explanatory paragraph (paragraph .16 of AU section 336, *Using the Work of a Specialist*).

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l. the disclosures required by paragraph 3.20 of the AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> concerning summarized comparative financial information are not included in the financial statements? ( <b>Note:</b> Such an explanatory paragraph should follow the opinion paragraph and should not be referred to in either the scope or opinion paragraphs.) [AAG 14.05]	_____	_____	_____
m. the auditor wishes to clarify that an audit performed in accordance with GAAS does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the Sarbanes-Oxley Act is applicable? ( <b>Not required.</b> Auditing Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU section 508 (AU sec. 9508 par. .85-.88) provides an example report.) [Interpretation 17 of AU 508 (AU 9508.85-.88)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
n. the audit is conducted in accordance with both GAAS and the PCAOB's auditing standards? [Interpretation 18 of AU section 508 (AU 9508.89–91)]	_____	_____	_____
7. If certain other information has been subjected to auditing procedures applied in the audit of the basic financial statements, does the auditor express an opinion on whether the information is fairly stated in all material respects in relation to those financial statements taken as a whole in the auditor's report describing clearly the character of the auditor's work and the degree of responsibility the auditor is taking? [AU 550.07; AU 558.09]	_____	_____	_____
8. Is a qualified opinion or disclaimer of opinion expressed if scope limitations preclude application of one or more auditing procedures considered necessary in the circumstances? <sup>1</sup> [AU 508.22–.32; AU 318.76]	_____	_____	_____
9. Is a qualified opinion or disclaimer of opinion expressed if the auditor's understanding of internal control raises doubts about the auditability of an organization's financial statements, such as			
a. concerns about the integrity of an organization's management cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted?	_____	_____	_____
b. concerns about the condition and reliability of an entity's records cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unqualified opinion on the financial statements? [AU 314.109]	_____	_____	_____

**Note:** Consult the Topical Index to the AICPA *Professional Standards* under "Scope of Audit—Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

10. Is a qualified opinion or adverse opinion expressed if			
a. a lack of conformity with generally accepted accounting principles (GAAP) (including inadequate disclosure) is present? <sup>2</sup> [AU 431.03; AU 508.35–.57]	_____	_____	_____

<sup>1</sup> Scope limitations can be imposed by the client or by circumstances such as the timing of the auditor's work, the inability to obtain sufficient appropriate audit evidence, or an inadequacy in the accounting records. This question also includes situations in which the auditor is unable to obtain sufficient appropriate audit evidence to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements (AU section 508, *Reports on Audited Financial Statements*, paragraph .31). It also includes situations in which the auditor's only evidence of the existence or valuation, or both, of (a) investments without readily determinable fair value or (b) interests held in trust by a third-party trustee is receiving confirmation from a third party for those assets (Auditing Interpretation No. 1, "Auditing Interests in Trusts Held by a Third-Party Trustee and Reported at Fair Value," of AU section 328, *Auditing Fair Value Measurements and Disclosures* [AU sec. 9328 par. .01–.04]; Auditing Interpretation No. 1, "Auditing Investments in Securities Where a Readily Determinable Fair Value Does Not Exist," of AU section 332, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities*, vol. 1, AU sec. 9332 par. .01–.04).

<sup>2</sup> The auditor should express a qualified or an adverse opinion if the auditor concludes that (a) a matter involving a risk or an uncertainty is not adequately disclosed, (b) the accounting principles used cause the financial statements to be materially misstated when the inability to make a reasonable estimate raises questions about the appropriateness of the accounting principles used, and (c) management's estimate is unreasonable and that its effect is to cause the financial statements to be materially misstated (paragraphs .46–.49 of AU section 508.)



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed? [Interpretation 3 of AU 410 (AU 9410.15)]	_____	_____	_____
c. the auditor concludes that an illegal act has a material effect on the financial statements and the act has not been properly accounted for or disclosed? [AU 317.18]	_____	_____	_____
<hr/> <b>Note:</b> Consult the Topical Index to the AICPA <i>Professional Standards</i> under "Departures From Established Principles," "Adverse Opinions," and "Qualified Opinions" for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion. <hr/>			
11. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed, are all the substantive reasons for the opinion or disclaimer disclosed and is the reporting language appropriately modified? [AU 508.21, .59–.60, and .62]	_____	_____	_____
<hr/> <b>Note:</b> Consult the Topical Index to the AICPA <i>Professional Standards</i> under "Departures From Standard Report" for additional references to specific auditor's report modifications. <hr/>			
12. If information accompanies the basic financial statements in an auditor-submitted document, does the report on the accompanying information			
a. state that the audit is performed for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
b. specifically identify the accompanying information?	_____	_____	_____
c. state that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?	_____	_____	_____
d. state whether the accompanying information is subject to the auditing procedures applied in an audit of the basic financial statements and the appropriate expression of opinion or disclaimer? [AU 551.06–.11]	_____	_____	_____
13. If supplementary information is included in a client-prepared document and the auditor has not subjected to the procedures described in AU section 558, <i>Required Supplementary Information</i> (AICPA, <i>Professional Standards</i> , vol. 1), is the information either marked "unaudited" or has the auditor included an explanatory paragraph in the report disclaiming an opinion on the information? [AU 558.03; AAG 14.10]	_____	_____	_____
14. Is the reporting form, content, and timing of paragraphs .20–.30 of AU section 325 followed when communicating matters related to an organization's internal control over financial reporting identified in an audit of financial statements? <sup>3</sup> [AU 325.20–.30]	_____	_____	_____

<sup>3</sup> Auditors are required to communicate control deficiencies identified during an audit that are significant deficiencies or material weaknesses as defined by AU section 325, *Communicating Internal Control Related Matters Identified in an Audit*, including significant

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. If the auditor is requested to audit Internal Revenue Form 990, "Return of Organizations Exempt From Income Tax," is the appropriate report prepared? [Interpretation 10 of AU 623 (AU 9623.47–.54)]	_____	_____	_____
16. If during a GAAS audit of the financial statements the auditor becomes aware that the organization is subject to an audit requirement not encompassed in the terms of the engagement (for example, the entity is required to have an audit performed in accordance with OMB Circular A-133), the auditor must communicate to management and the audit committee, or to others with equivalent authority and responsibility, that a GAAS audit may not satisfy relevant legal, regulatory, or contractual requirements. Did the auditor consider the client's actions in response to such communication (for example, not arranging for an audit that meets the applicable requirements) including the potential effect on the financial statements and auditor's report? [AU 801.22–.23]	_____	_____	_____
17. If the financial statements and reports will be used by parties or distributed by the organization to parties other than the regulatory agencies to whose jurisdiction the organization is subject, has the standard form of report been modified as appropriate because of the departures from GAAP and has an additional paragraph been added to express an opinion on whether the financial statements are presented in conformity with the regulatory basis of accounting? (Auditing Interpretation No. 15, "Auditor Reports on Regulatory Accounting or Presentation When the Regulated Entity Distributes the Financial Statements to Parties Other Than the Regulatory Agency Either Voluntarily or Upon Specific Request," of AU section 623, <i>Special Reports</i> [AICPA, <i>Professional Standards</i> , vol. 1, AU sec. 9623 par. .96–.98], provides an example report.) [AU 544.04; Interpretation 15 of AU 623 (AU 9623.96–.98)]	_____	_____	_____

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deficiencies or material weaknesses that were communicated in previous audits and have not yet been remediated. Those control deficiencies must be communicated in writing to management and those charged with governance.

## FSP Section 14,400

# *Auditors' Reports Checklist for Audits Performed in Accordance With Government Auditing Standards and OMB Circular A-133*

.01 *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States of the U.S. Government Accountability Office (GAO; formerly U.S. General Accounting Office), applies to the audits of governmental entities, programs, activities, and functions, and of governmental assistance administered by contractors, not-for-profit organizations (NPOs), and other nongovernmental entities, when required by statute or other mandates or when auditors hold themselves out as following those standards.<sup>1</sup> The Single Audit Act Amendments of 1996 (the Single Audit Act) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), require a single or program-specific audit for entities that expend \$500,000 or more of federal awards in a fiscal year. The Single Audit Act requires single audits and program-specific audits of federal awards to be performed in accordance with *Government Auditing Standards*. Similarly, *Government Auditing Standards* requires the use of its standards when auditing compliance with regulations relating to federal award expenditures and other governmental financial assistance in conjunction with or as a by-product of a financial statement audit.

.02 This checklist has two parts. Part I is for auditor's reports on financial statement audits performed in accordance with *Government Auditing Standards*. (This checklist does not address the performance auditing or attestation standards of *Government Auditing Standards*. It also does not address types of financial audits other than financial statement audits, except for Circular A-133 audits.) Part II contains the additional requirements for auditor's reports on audits performed in accordance with the Single Audit Act and Circular A-133. For audits performed in accordance with Circular A-133, both Parts I and II of this checklist must be completed. Illustrative auditor's reports on financial statement audits performed in accordance with *Government Auditing Standards* and illustrative auditor's reports and an illustrative schedule of findings and questioned costs for Circular A-133 audits are in the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*.

.03 The OMB issues an annual Circular A-133 compliance supplement for conducting single audits. That supplement is available from the Government Printing Office by calling (202) 512-1800 and on the OMB's Web site at [www.whitehouse.gov/omb/grants/grants\\_circulars.html](http://www.whitehouse.gov/omb/grants/grants_circulars.html). The AICPA issues an annual Audit Risk Alert, *Government Auditing Standards and Circular A-133 Audits*, as a complement to the Audit Guide *Government Auditing Standards and Circular A-133 Audits*. The AICPA has also issued a related practice aid, *Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* (product no. 006621).

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<sup>1</sup> As discussed in paragraph 4.26 of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*, paragraph 5.06 of *Government Auditing Standards* acknowledges that an auditee may need a financial statement audit for purposes other than to comply with a requirement calling for an audit in accordance with *Government Auditing Standards*. For example, the auditee may need a financial statement audit to issue bonds. In that case, *Government Auditing Standards* permits auditors to issue a separate report on the financial statements conforming only to the requirements of generally accepted auditing standards (GAAS). The information contained in this checklist is based on the *Government Auditing Standards* July 2007 revision, which is effective for audits of periods beginning on or after January 1, 2008.

.04 The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 or whose audit is prescribed by the rules of the Securities and Exchange Commission (SEC). Other entities are referred to as *nonissuers*. Because NPOs are nonissuers, this checklist does not address PCAOB standards. However, while not common, the auditor may be engaged to audit and report on the effectiveness of an NPO's internal control over financial reporting in accordance with PCAOB auditing standards. In those cases, the auditor should modify this checklist considering the guidance in PCAOB standards, the GAO Internet Notice at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm) titled *Guidance on Complying with Government Auditing Standards Reporting Requirements for the Report on Internal Control for Audits of Certain Entities Subject to the Requirements of the Sarbanes-Oxley Act of 2002 and Government Auditing Standards*, and Auditing Interpretation 18, paragraphs .89–.92 of AU section 9508, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," as well as the discussion in the Notice to Readers and appendix A to chapter 4 of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*.

.05 This checklist has been updated for the revisions to OMB Circular A-133 published in the Federal Register on June 26, 2007, that changes the reporting requirements on internal control deficiencies over compliance to be consistent with the control deficiency definitions of AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1). Auditing Interpretation No. 1, "Communicating Deficiencies in Internal Control Over Compliance in an Office of Management and Budget (OMB) Circular A-133 Audit" of AU section 325 (AICPA, *Professional Standards*, vol. 1, AU sec. 9325 par. .01–.04), provides guidance on implementing these reporting requirements.

.06 Explanation of References:

A-133 =	OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> (June 2003 Revision)
GAS =	GAO 2007 revision to <i>Government Auditing Standards</i> , as amended through Amendment 3, <i>Independence</i>
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
AAG =	AICPA Audit Guide <i>Government Auditing Standards and Circular A-133 Audits</i> (with conforming changes as of May 1, 2008)

.07 Checklist Questionnaire:

Yes      No      N/A

**Part I—Reports on Audits Performed in Accordance With  
Government Auditing Standards**

1. In a financial statement audit performed in accordance with *Government Auditing Standards*, has the auditor issued the following reports:<sup>2</sup>
  - a. A report on the entity's financial statements that provides an opinion or disclaimer of opinion on the financial statements?  
[GAS 5.03; AAG 4.04 and .22]
  - b. A report on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements based on an audit of financial statements performed in accordance with *Government Auditing Standards*?  
[GAS 5.07; AAG 4.04, .08, and .27]

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<sup>2</sup> There is no provision in *Government Auditing Standards* that requires the auditee to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). If an auditee prepares financial statements in conformity with comprehensive bases of accounting other than GAAP, known as other comprehensive bases of accounting, or OCBOA, the auditor still is required to express or disclaim an opinion and should follow the reporting guidance in AU section 623, *Special Reports* (GAS paragraph 5.03 footnote 62 and paragraph 4.22h of AAG).

**Report on the Financial Statements**

2. In addition to the elements listed in the checklist for the auditor's report on the financial statements at FSP section 14,300, does the auditor's report on the financial statements contain:

a. A statement that the audit was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States?<sup>3</sup>

[GAS 5.05; AAG 4.05a, .22d, and .24]

b. A statement or a reference to a separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with *Government Auditing Standards*,<sup>4</sup> which includes:

(1) A description of the scope of testing of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements and the results of that testing, and a statement as to whether the tests performed provided sufficient appropriate evidence to support an opinion on the internal control over financial reporting or on compliance with laws, regulations, and provisions of contracts or grant agreements?<sup>5</sup>

(2) If a separate report is issued, a reference to the separate report is included in the report on the financial statements and a statement that the separate report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit?  
[GAS 5.08-.09; AAG 4.05b and .22i]

3. If the auditor does not follow an applicable standard of *Government Auditing Standards*, does the scope section of the report disclose the standard that was not followed, the reasons therefore, and how not following the standard affected, or could have affected, the results of the audit?

[GAS 1.12b; AAG 4.25]

4. If a material organizational unit is not required to have an audit in accordance with *Government Auditing Standards*, has the scope paragraph of the report on the financial statements been modified to indicate the portion of the entity that was not audited in accordance with *Government Auditing Standards*?

[AAG 4.39-.40]

Yes      No      N/A

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<sup>3</sup> When personal, external, and organizational impairments to independence exist, a government auditor who cannot decline to perform the work because of a legislative requirement or for other reasons should report the impairment in the scope section of the auditor's report (GAS paragraph 3.05 and paragraph 4.22d of AAG).

<sup>4</sup> If the reporting on internal control over financial reporting and on compliance and other matters is included in the report on the financial statements, the reference to the separate report is not required. The Audit Guide *Government Auditing Standards and Circular A-133 Audits* recommends separate reporting (paragraphs 4.05b and 4.21i of AAG).

<sup>5</sup> Paragraph 5.08 of *Government Auditing Standards* permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on internal control over financial reporting or on compliance in the *Government Auditing Standards* report (paragraphs 4.05b and 4.22i of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With <i>Government Auditing Standards</i></b>			
5. Does the auditor's report on internal control over financial reporting and on compliance and other matters conform to the standard report language illustrated in AAG? [AAG 4.51, examples 4-3 and 4-5]	_____	_____	_____
6. Does the auditor's report on internal control over financial reporting and on compliance and other matters contain:			
a. A statement that the auditor has audited the financial statements of the auditee and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors)? [AAG 4.28a and .51, examples 4-3 and 4-5]	_____	_____	_____
b. A statement that the audit was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards) and with the standards applicable to financial audits contained in <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States? <sup>6</sup>	_____	_____	_____
c. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting; and accordingly, do not express an opinion on the effectiveness of the entity's internal control over financial reporting? <sup>7</sup>	_____	_____	_____
d. The definition of control deficiency and significant deficiency? If applicable, a statement that deficiencies were identified that are considered to be significant deficiencies in internal control over financial reporting?	_____	_____	_____
e. A statement that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. If significant deficiencies are identified, a statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be significant deficiencies?	_____	_____	_____
f. If applicable, a description of the significant deficiencies identified (including the views of responsible officials and their planned corrective action) or a reference to a separate schedule in which the	_____	_____	_____

<sup>6</sup> See footnote 3 (GAS paragraph 3.06 and paragraph 4.28b of AAG).

<sup>7</sup> Paragraph 5.08 of *Government Auditing Standards* permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on internal control over financial reporting (paragraph 4.28c of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
significant deficiencies, views of responsible officials, and their planned corrective action are described? <sup>8</sup>	_____	_____	_____
g. The definition of a material weakness?	_____	_____	_____
h. If no significant deficiencies are identified, a statement that no material weaknesses were identified. If significant deficiencies are identified, a statement that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and a statement about whether the auditor believes any of the significant deficiencies identified are material weaknesses and, if they are, that identifies which significant deficiencies are considered material weaknesses? <sup>9</sup> (If there are no reportable conditions noted, a statement is made that no material weaknesses were noted.)	_____	_____	_____
i. A statement that as part of obtaining reasonable assurance about whether the auditee's financial statements are free of material misstatement, the auditor performed tests of the auditee's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?	_____	_____	_____
j. A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion? <sup>10</sup>	_____	_____	_____
k. A statement that notes whether the results of tests disclosed instances of noncompliance or other matters (certain fraud and abuse) that are required to be reported under <i>Government Auditing Standards</i> and, if they are, describes the instances of noncompliance and other matters (including the views of responsible officials and their planned corrective action) or refers to the separate schedule in which the noncompliance and other matters, views of responsible officials, and their planned corrective action are described? <sup>11</sup> [AAG 4.26]	_____	_____	_____
l. If applicable, a statement that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it? [AAG 4.28]	_____	_____	_____
m. If applicable, a statement that additional matters were communicated to the auditee in a management letter? [AAG 4.28], .37, .51 table 1, examples 4-3 and 4-5]	_____	_____	_____

<sup>8</sup> For an audit in accordance with Circular A-133, all findings, including those required to be reported under *Government Auditing Standards*, should be included in the schedule of findings and questioned costs. Therefore, for such audits, this report should refer to the schedule of findings and questioned costs. See the questions about that schedule in part II of this checklist (paragraphs 4.28f and 12.17 of AAG).

<sup>9</sup> In reporting significant deficiencies, the auditor should identify those that are individually or in the aggregate material weaknesses (GAS paragraph 5.13 and paragraph 4.09 of AAG).

<sup>10</sup> Paragraph 5.08 of *Government Auditing Standards* permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on compliance (paragraph 4.28 of AAG).

<sup>11</sup> See footnote 8 (paragraph 4.28k of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
n. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the management, [identify the body or individuals charged with governance], others within the entity, and [identify any specified legislative or regulatory body] <sup>12</sup> and is not intended to be and should not be used by anyone other than these specified parties? <sup>13</sup>	_____	_____	_____
o. The manual or printed signature of the auditor's firm?	_____	_____	_____
p. The date of the auditor's report? [AAG 4.28]	_____	_____	_____
7. Does the report carry the same date as the report on the financial statements? [AAG 4.28o]	_____	_____	_____
8. If a material operating unit or organizational component is not required to have an audit in accordance with <i>Government Auditing Standards</i> , has the scope paragraph of the report been modified to indicate the portion of the entity that was not audited in accordance with <i>Government Auditing Standards</i> ? [AAG 4.39–40]	_____	_____	_____
9. If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information (as it may be by federal, state, or local laws or regulations), does the auditor's report state that certain information has been omitted and the reason or other circumstance that makes the omission necessary? [GAS 5.39; AAG 4.05g]	_____	_____	_____
10. Does the language in the compliance and other matters section of the report refer to findings that do or may include fraud and abuse? (That language should appear in all reports, even if the report does not describe or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are described in or referred to from the section on internal control over financial reporting.) [AAG 4.31]	_____	_____	_____
11. Are findings that relate to both internal control over financial reporting and to compliance reported in or referred to from both the section of the report concerning internal control over financial reporting and in the section of the report concerning compliance and other matters? (The reporting in one section of the report or schedule may be in summary form with a reference to a detailed reporting in the other section.) [AAG 4.30]	_____	_____	_____
12. Are findings of fraud and abuse reported in or referred to from the compliance and other matters section of the report, unless the primary nature of the finding is a significant deficiency in internal control? (Auditors should present or refer to findings of fraud and abuse that represent significant deficiencies in internal control in the internal control section.) [AAG 4.31]	_____	_____	_____

<sup>12</sup> For an audit in accordance with Circular A-133, this reference should include federal awarding agencies and, if applicable, pass-through entities (paragraphs 4.28m and 12.17 of AAG).

<sup>13</sup> This paragraph conforms to AU section 532, *Restricting the Use of an Auditor's Report*. See AU section 532 for additional guidance on restricted-use reports (paragraph 4.28m of AAG).



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. Do the reported findings include all identified deficiencies in internal control over financial reporting considered to be significant deficiencies (identifying those considered to be material weaknesses) and all fraud and illegal acts (unless inconsequential), <sup>14</sup> and material violations of provisions of contracts or grant agreements and material abuse that has occurred or is likely to have occurred? <sup>15</sup> [GAS 5.10; AAG 4.05c, .09, .16–.17 and .29 and 12.33]	_____	_____	_____
14. Does each finding include a reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 could be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [AAG 4.34]	_____	_____	_____
15. Do the reported findings place the findings in proper perspective (or context) by describing the nature and extent of the issues reported and the work performed that resulted in the finding? (The identified instances should be related to the population or the number of cases examined and be quantified in terms of dollar value or other measures, if appropriate.) [GAS 5.22; AAG 4.32]	_____	_____	_____
a. When reporting instances of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, are the results projected? (If the results cannot be projected, auditors should limit their conclusions appropriately.) [GAS 5.22; AAG 4.32]	_____	_____	_____
16. To the extent possible and to achieve audit objectives, do the reported findings present criteria, condition, cause, effect or potential effect, and recommendation? [GAS 4.14–.18 and 5.21; AAG 4.33]	_____	_____	_____
17. Does the auditor's report include the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions? <sup>16, 17</sup> [GAS 5.32; AAG 4.05f and .35]	_____	_____	_____
a. If the auditor receives, in writing, the views of responsible officials, is a copy of the officials' written comments or a summary of the comments received included in the auditor's report? <sup>18</sup>	_____	_____	_____

<sup>14</sup> In an audit conducted in accordance with Circular A-133, the auditor should apply a financial statement materiality consideration in reporting in the *Government Auditing Standards* report fraud and illegal acts involving federal awards that are subject to Circular A-133 reporting. That is because those findings already are reported in the Circular A-133 report and reporting findings that are not material to the financial statements again in the *Government Auditing Standards* report would be unnecessarily duplicative (paragraphs 4.16 and 12.16–.33 of AAG).

<sup>15</sup> *Government Auditing Standards* requires this reporting even if the auditor disclaims an opinion on the financial statements. *Government Auditing Standards* also provides reporting requirements for other findings of internal control deficiencies, fraud, illegal acts, violations of provisions of contracts or grants agreements, and abuse; see questions 18 and 19.

<sup>16</sup> In an audit in accordance with Circular A-133, the auditee is required to submit a corrective action plan. For those audits, depending on the status of the development of the corrective action plan at the time the auditor's reports are released, the auditor may be able to refer to the corrective action plan to satisfy as the required presentation of the auditee's views and planned corrective actions. See the questions about the reporting of auditee views and the corrective action plan in part II of this checklist (paragraph 4.35 of AAG).

<sup>17</sup> The auditor is required to extend a reasonable effort to obtain and report auditee views and planned corrective actions. *Government Auditing Standards* does not require the auditor to delay or withhold the release of the report if the auditee does not provide the necessary information on a timely basis. If, however, the auditee does not provide the necessary information by the time the report is released, the report should indicate that the audited entity did not provide comments (paragraph 4.36 of AAG).

<sup>18</sup> When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments are accurately stated.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Does the auditor's report include an evaluation of the comments, as appropriate?	_____	_____	_____
c. If the entity's views oppose the report's findings, conclusions, or recommendations, and are not, in the auditor's opinion, valid—or if the planned corrective actions do not adequately address the auditor's recommendations—does the report state reasons for disagreeing with the comments or planned corrective actions?	_____	_____	_____
d. If the audited entity refused to provide comments or is unable to provide comments within a reasonable period of time, does the auditor's report state that the audited entity did not provide comments? [GAS 5.34–.38; AAG 4.35]	_____	_____	_____

### Other Reporting and Communication Considerations

18. Does the management letter communicate the following unless clearly inconsequential—deficiencies in internal control that are not significant deficiencies, immaterial violations of provisions of contracts or grant agreements, and immaterial abuse? <sup>19</sup> [GAS 5.16; AAG 4.19 and .37]	_____	_____	_____
a. Are the management letter discussions worded so that readers can distinguish those matters that are required to be included by GAAS or <i>Government Auditing Standards</i> from matters that are recommendations for improvements or information about “best practices”? [AAG 4.38]	_____	_____	_____
b. Does the management letter not include personal identification or other potentially sensitive matters? [AAG 4.49]	_____	_____	_____
19. Has the auditor used professional judgment to determine whether and how to communicate to auditee officials deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse that are less than material but more than inconsequential? <sup>20</sup> [GAS 5.16; AAG 4.37]	_____	_____	_____
20. Has the auditor reported known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties outside of the auditee in the situations required by <i>Government Auditing Standards</i> , even if the auditor has resigned or been dismissed from the audit? [GAS 5.18–.20; AAG 4.20]	_____	_____	_____

<sup>19</sup> Generally, *Government Auditing Standards* requires the auditor to evaluate findings for the purpose of communication in the management letter based on their consequence to the financial statements or other financial data significant to the audit objectives. In an audit in accordance with Circular A-133, however, the auditor should evaluate findings involving federal awards for the purpose of that communication based only on their consequence to the financial statements. Further, the auditor should not communicate such findings in the management letter if they are otherwise reported as audit findings in accordance with Circular A-133 (paragraphs 4.37 and 12.25 of AAG).

<sup>20</sup> GAAS require that whenever the auditor has determined that there is evidence that fraud may exist, the auditor should bring that matter to the attention of an appropriate level of management, even if the matter might be considered inconsequential (paragraph .79 of AU section 316, *Consideration of Fraud in a Financial Statement Audit*, and paragraphs 4.12 and 4.37 of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
21. In addition to the communications required by GAAS, has the auditor communicated the following information regarding his or her planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements, preferably in a writing such as the engagement letter, to those charged with governance of the audited entity and to the individuals contracting for or requesting the audit during the planning stages of the audit:			
a. The auditor's responsibilities for testing and reporting on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements?	_____	_____	_____
b. The nature of any additional testing of internal control and compliance required by laws, regulations, and provisions of contracts or grant agreements or otherwise requested, and whether the auditor is planning on providing an opinion on internal control over financial reporting or on compliance with laws, regulations, and provisions of contracts or grant agreements?	_____	_____	_____
c. A contrasting of the responsibilities in questions 21 <i>a-b</i> with other audits of internal control and compliance?	_____	_____	_____
d. Potential restrictions on the auditor's reports?	_____	_____	_____
e. Additional relevant topics, such as the auditor's fieldwork and reporting responsibilities for fraud and abuse? [GAS 4.06-.07]	_____	_____	_____
22. If an audit is terminated before it is complete, is the reason for terminating the audit communicated to auditee management, the entity requesting the audit, and other appropriate officials, preferably in writing? [GAS 4.08; AAG 2.30]	_____	_____	_____
23. If the auditor is:			
a. A government auditor, does the auditor submit the auditor's reports to the appropriate officials of the audited entity, appropriate officials of the organizations requiring or arranging for the audits (unless legal restrictions prevent it), and other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports?	_____	_____	_____
b. A nongovernment auditor, does the auditor clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached? [GAS 5.44; AAG 4.05g]	_____	_____	_____
24. Unless the report is restricted by law or regulation, or contains privileged and confidential information, does the auditor clarify that copies are made available for public inspection? (That clarification should be made in the engagement letter and may also be made in correspondence that transmits the reports to the auditee and other recipients.) [GAS 5.44; AAG 4.05h]	_____	_____	_____
25. If the auditor is reporting on restated financial statements, did the auditor's report include an explanatory paragraph in the reissued or updated auditor's report that included:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. A statement disclosing that the previously issued financial statements have been restated?	_____	_____	_____
b. A statement that the previously issued report (referred to by report date) is not to be relied upon (because previously issued financial statements were materially misstated) and is being replaced by the auditor's report on the restated financial statements?	_____	_____	_____
c. A reference to the notes to the restated financial statements that discusses the restatement?	_____	_____	_____
d. If applicable, a reference to the report on internal control containing a discussion of any significant deficiency identified related to the failure to prevent or detect the misstatement and any management corrective action taken? [GAS 5.29]	_____	_____	_____
26. If the auditor is reporting on restated financial statements and if management fails to include the appropriate disclosures related to the restatement, are the omitted disclosures included in the auditor's report? [GAS 5.28c and .30]	_____	_____	_____
27. Has the auditor notified those charged with governance if the entity's management (a) does not act in an appropriate time frame after new information was available to determine the financial statement effects of the new information and take the necessary steps to timely inform those who are likely to rely on the financial statements and the related auditor's reports of the situation or (b) does not restate with reasonable timeliness the financial statements under circumstances in which auditors believe they need to be restated? [GAS 5.31]	_____	_____	_____

## Part II—Reports on Audits Performed in Accordance With Circular A-133

1. In an audit performed in accordance with Circular A-133, has the auditor issued the following reports in addition to those in part I of this checklist: <sup>21</sup>			
a. A report on the supplementary schedule of expenditures of federal awards that provides an opinion (or disclaimer of opinion) as to whether the schedule is presented fairly in all material respects in relation to the financial statements taken as a whole?	_____	_____	_____
b. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133 that provides an opinion (or disclaimer of opinion) as to whether the audited entity complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, a reference to the separate schedule of findings and questioned costs?	_____	_____	_____
c. A schedule of findings and questioned costs? [A-133 sec. 505; AAG 12.07]	_____	_____	_____

<sup>21</sup> Because of the requirements of *Government Auditing Standards*, the auditor also has other reporting and communication responsibilities in a Circular A-133 audit. See the questions in the section titled "Other Reporting and Communication Considerations" in part I of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Report on the Supplementary Schedule of Expenditures of Federal Awards</b>			
2. Is the report on the schedule (a) included in the auditor's report on the financial statements, (b) included in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133, or (c) issued as a stand-alone report? [AAG 12.12, .15, .24, and .28]	_____	_____	_____
3. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the major federal programs audited by other auditors in the report on the schedule? [AAG 12.29]	_____	_____	_____
4. If the report on the schedule is included in the auditor's report on the financial statements or in the Circular A-133 report on compliance and on internal control over compliance, does it:			
a. Conform to the standard report language illustrated in AAG? [AAG 12.14 and .54, example 12-1]	_____	_____	_____
b. Identify the schedule of expenditures of federal awards as accompanying supplementary information by descriptive title or by page number of the document?	_____	_____	_____
c. Contain a statement that the audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole and that the schedule is presented for purposes of additional analysis and is not a required part of the financial statements? [AAG 12.12 and .54, example 12-1]	_____	_____	_____
d. Contain an opinion or a disclaimer of opinion as to whether the Schedule is fairly stated, in all material respects, in relation to the financial statements taken as a whole? [AAG 12.10, .12, and .54, example 12-1]	_____	_____	_____
e. Carry the same date as the report on the financial statements, even if that requires a dual date on the Circular A-133 report on compliance and on internal control over compliance? [AAG 12.26–.28]	_____	_____	_____
f. Consider the effect of any modifications to this report? [AAG 12.14]	_____	_____	_____
5. If the report on the schedule is issued as a stand-alone report, is the guidance AU section 508, <i>Reports on Audited Financial Statements</i> , followed in issuing that report?	_____	_____	_____
a. Does the report carry the same date as the Circular A-133 report on compliance and on internal control over compliance? [AAG 12.28]	_____	_____	_____
<b>Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133</b>			
6. Does the report conform to the standard report language illustrated in AAG? [AAG 12.54, examples 12-1–12-5]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Does the report contain the following elements:			
a. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that are applicable to each of its major programs?	_____	_____	_____
b. A statement that the auditee's major programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs?	_____	_____	_____
c. A statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee's major federal programs is the responsibility of the auditee's management, and that the auditor's responsibility is to express an opinion on the auditee's compliance based on the audit?	_____	_____	_____
d. A statement that the audit of compliance was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards), the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and Circular A-133?	_____	_____	_____
e. A statement that those standards and Circular A-133 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred?	_____	_____	_____
f. A statement that an audit includes examining, on a test basis, evidence about the auditee's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances?	_____	_____	_____
g. A statement that the auditor believes that the audit provides a reasonable basis for the auditor's opinion?	_____	_____	_____
h. A statement that the audit does not provide a legal determination of the auditee's compliance with those requirements?	_____	_____	_____
i. If instances of noncompliance are noted that result in an opinion modification, a reference to a description in the accompanying schedule of findings and questioned costs, including:			
(1) The reference number(s) of the finding(s)?	_____	_____	_____
(2) An identification of the type(s) of compliance requirements and related major program(s)?	_____	_____	_____
(3) A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with the requirements applicable to the program(s)?	_____	_____	_____
j. An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs?	_____	_____	_____
k. If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with Circular A-133 and a reference to the schedule of findings and questioned costs in which they are described?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
l. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs?	_____	_____	_____
m. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance?	_____	_____	_____
n. The definition of control deficiency and significant deficiency. If applicable, a statement that deficiencies were identified that are considered to be significant deficiencies in internal control over compliance?	_____	_____	_____
o. If applicable, a reference to a description of the significant deficiencies identified in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?	_____	_____	_____
p. If no significant deficiencies are identified, a statement that the auditor's consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be significant deficiencies or material weaknesses; if significant deficiencies are identified, a statement that the auditor's consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses and a statement that certain deficiencies were identified that are considered to be significant deficiencies (and, if applicable, material weaknesses)?	_____	_____	_____
q. The definition of a material weakness?	_____	_____	_____
r. If applicable, a statement about whether the auditor believes any of the significant deficiencies identified are material weaknesses and, if they are, a reference to a description of the material weaknesses in the schedule of findings and questioned costs, including the reference number of the finding(s)? (If there are no significant deficiencies identified, a statement should be made that no material weaknesses were identified.)	_____	_____	_____
s. If applicable, a statement that the auditee's response to findings identified in the audit are described in the accompanying schedule of findings and questioned costs, and that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it?	_____	_____	_____
t. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of [ <i>identify the body or individuals charged with governance</i> ], others within the entity, [ <i>identify the specified legislative or regulatory body</i> ], federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties? <sup>22</sup>	_____	_____	_____

<sup>22</sup> See footnote 13 (paragraph 12.23*t* of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
u. The manual or printed signature of the auditor's firm?	_____	_____	_____
v. The date of the auditor's report? [AAG 12.23]	_____	_____	_____
8. If the audit of the auditee's compliance with requirements applicable to a major program detects material instances of noncompliance with those requirements, does the auditor's report express a qualified or adverse opinion? [AAG 12.19]	_____	_____	_____
9. Have scope limitations on the auditor's testing of the auditee's compliance with laws, regulations, and the provisions of contracts or grant agreements been considered in the opinion on compliance with requirements applicable to each major program? [AAG 12.20-.22]	_____	_____	_____
10. Have the cumulative effects of all instances of noncompliance with federal programs and scope limitations been considered in the opinion on the financial statements? [AAG 12.19-.20]	_____	_____	_____
11. If there are abuse findings reported in the federal awards section of the schedule of findings and questioned costs that do not otherwise meet the Circular A-133 requirements for reporting as findings, has the auditor considered the need to modify the report on compliance and on internal control over compliance? [AAG 12.36]	_____	_____	_____
12. Is the report dated the same as or later than the date of the auditor's report on the financial statements?	_____	_____	_____
a. If the report is dated later than the date of the auditor's report on the financial statements, have appropriate subsequent events procedures been performed? [AAG 12.27]	_____	_____	_____
13. If the audit of federal awards does not encompass the entirety of the auditee's operations expending federal awards, are the operations that are not included identified in a separate paragraph following the first paragraph of the report? [AAG 12.30]	_____	_____	_____
14. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the major federal programs audited by other auditors in the report on compliance and on internal control over compliance? [AAG 12.29]	_____	_____	_____
<b>Schedule of Findings and Questioned Costs</b>			
15. Does the report conform to the standard report language illustrated in AAG? [AAG 12.54, example 12-6]	_____	_____	_____
16. Is the report presented even if there are no findings to report? (In a situation in which there are no findings or questioned costs, the auditor should prepare the summary of auditor's results section of the schedule and either omit the other sections or include them, indicating that no matters were reported.) [AAG 12.40]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
17. Does the report contain the following three sections:			
a. A summary of the auditor's results?	_____	_____	_____
b. Findings related to the financial statements that are required to be reported in accordance with <i>Government Auditing Standards</i> ? (See the questions about those findings in part I of this checklist.)	_____	_____	_____
c. Findings and questioned costs for federal awards? [AAG 12.31]	_____	_____	_____
18. Does the summary of auditor's results include:			
a. The type of report the auditor issued on the financial statements of the auditee (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?	_____	_____	_____
b. Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such deficiencies were material weaknesses?	_____	_____	_____
c. A statement on whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____	_____
d. Where applicable, a statement that significant deficiencies in the internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses?	_____	_____	_____
e. The type of report the auditor issued on compliance for major programs (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)? (If the audit report for one or more major programs is other than unqualified, indicate the type of report issued for each program.)	_____	_____	_____
f. A statement on whether the audit disclosed any audit findings that the auditor is required to report under Circular A-133? (See the following question 20.)	_____	_____	_____
g. An identification of major programs?	_____	_____	_____
h. The dollar threshold used to distinguish between type A and type B programs?	_____	_____	_____
i. A statement on whether the auditee qualified as a low-risk auditee? [AAG 12.32a]	_____	_____	_____
19. If there are abuse findings reported in the federal awards section of the schedule of findings and questioned costs that do not otherwise meet the Circular A-133 requirements for reporting as findings, has the auditor considered the need to modify the summary of the auditor's results? [AAG 12.36]	_____	_____	_____
20. Are the following reported as audit findings related to federal awards:			
a. Significant deficiencies and material weaknesses in internal control over major programs? (The auditor should identify significant deficiencies that are individually or cumulatively material weaknesses.)	_____	_____	_____
b. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	_____	_____	_____
c. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
e. Known questioned costs that are greater than \$10,000 for programs that are not audited as major?	_____	_____	_____
f. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, if not otherwise reported as an audit finding?	_____	_____	_____
g. Known fraud affecting a federal award, if not otherwise reported as an audit finding? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.) [A-133 sec. 510(a); AAG 12.35]	_____	_____	_____
h. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [A-133 sec. 510(a); AAG 12.35 and .42]	_____	_____	_____
i. Abuse involving federal awards that is material to a major program? [AAG 12.36]	_____	_____	_____
21. Does the audit finding detail include:			
a. A reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 would be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [A-133 sec. 510(c); AAG 12.39]	_____	_____	_____
b. Identification of the federal program and specific federal award, including CFDA title and number, federal award number and year, name of the federal agency, and name of the applicable pass-through entity? <sup>23</sup>	_____	_____	_____
c. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation?	_____	_____	_____
d. The condition found, including facts that support the deficiency identified in the audit finding?	_____	_____	_____
e. Identification of questioned costs and how they were computed?	_____	_____	_____
f. Information to provide a proper perspective for judging the prevalence and consequences of the audit findings? <sup>24</sup>	_____	_____	_____
g. The possible asserted effect to provide sufficient information to the auditee and federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action?	_____	_____	_____
h. Recommendations to prevent future occurrences of the deficiency? [A-133 sec. 510(b); AAG 12.37]	_____	_____	_____

<sup>23</sup> When information such as the CFDA title and number or the federal award number is not available, the auditor should provide the best information available to describe the federal award (chapter 7 of AAG discusses an alternative for presentation if a CFDA number is not available) (A-133 section 510(b)(1) and paragraph 12.37a of AAG).

<sup>24</sup> Where appropriate, the instances identified should be related to the universe and the number of cases examined and be quantified in terms of the dollar value (A-133 section 510(b)(5) and paragraph 12.37e of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. Do the audit findings related to federal awards also meet the presentation requirements of <i>Government Auditing Standards</i> ? (See the questions about those presentation requirements in part I of this checklist.) [AAG 12.38]	_____	_____	_____
23. Are audit findings that relate to federal awards:			
a. And that relate to the same issue presented as one finding?	_____	_____	_____
b. Organized by federal agency or pass-through entity, where practical? [A-133 sec. 505(d)(3)(i); AAG 12.32c]	_____	_____	_____
24. Are audit findings that relate to both the financial statements and the federal awards reported in both sections of the schedule? (An alternative is to report the finding in one section of the schedule in summary form, with a reference to a detailed reporting in the other section of the schedule.) [A-133 sec. 505(d)(3)(ii); AAG 12.32c]	_____	_____	_____
25. Are findings of abuse involving federal awards presented in the compliance section of the schedule, unless the primary nature of the finding is a significant deficiency in internal control? (Auditors should present findings of abuse that represent significant deficiencies in internal control in the internal control section.) [AAG 12.36]	_____	_____	_____
26. Do the findings report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions, as required by <i>Government Auditing Standards</i> , or refer to the corrective action plan, depending on the status of the development of the corrective action plan at the time the auditor's reports are released? <sup>25</sup> [AAG 12.34 and .38]	_____	_____	_____
a. If the auditee's comments oppose the report's findings, conclusions, or recommendations, and are not, in the auditors' opinion, valid—or if the planned corrective actions do not adequately address the auditors' recommendations—does the federal awards section of the schedule of findings and questioned costs state the auditor's reasons for disagreeing with the comments or planned corrective actions? [A-133 sec. 510(b)(8); AAG 12.38]	_____	_____	_____
27. Do the audit report and any attached or referenced schedules not include names, Social Security numbers, other personal identification, or other potentially sensitive matters? [AAG 12.53]	_____	_____	_____
<b>Data Collection Form<sup>26</sup></b>			
28. Has the auditor completed the appropriate parts of the data collection form?	_____	_____	_____

<sup>25</sup> See footnote 17.

<sup>26</sup> The data collection form and related instructions are available from the Federal Audit Clearinghouse's (FAC's) home page at <http://harvester.census.gov/sac> or by calling the FAC at (888) 222-9907. The form number is SF-SAC. The FAC prefers to receive the data collection form via an online Internet Data Entry System. The OMB periodically revises the data collection form and its accompanying instructions. Auditors should exercise caution to make sure they use the version of the form and instructions that applies to the fiscal year audited (paragraph 12.46 of AAG).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
29. Has the auditor signed the form and dated it as of the date on which the auditor completes and signs the form? [AAG 12.45]	_____	_____	_____
30. Does the information on the data collection form agree to the information in the auditor's reports and the summary of auditor's results in the schedule of findings and questioned costs? [Federal Audit Clearinghouse, Data Collection Form, No. SF-SAC]	_____	_____	_____

### Practice Tip

When an auditee expends federal awards under only one federal program (excluding research and development) and the federal program's laws, regulations, or grant agreements do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit. A program-specific audit may not be elected for research and development unless all federal awards expended were received from the same federal agency (or the same federal agency and the same pass-through entity) and that federal agency (or pass-through entity, in the case of a subrecipient) approves a program-specific audit in advance.

[A-133 sec. 200(c); AAG, par. 13.02]

### Program-Specific Audits

31. If a program-specific audit guide is available and current with regard to the program's compliance requirements, has the auditor issued the reports required by the guide? [A-133 sec. 235(a); AAG, par. 13.04]	_____	_____	_____
32. If a program-specific audit guide is not available or not current with regard to the program's compliance requirements, has the auditor issued the following reports: <sup>27, 28</sup>	_____	_____	_____
a. A report on the federal program's financial statements that provides an opinion or disclaimer of opinion on the financial statements?	_____	_____	_____
b. A report on compliance with requirements applicable to the federal program and on the internal control over compliance in accordance with the program-specific audit option under Circular A-133?	_____	_____	_____
c. A schedule of findings and questioned costs for the program? [A-133 sec. 235(b)(4); AAG 13.07-.09]	_____	_____	_____
33. Do the reports conform to the standard report language illustrated in AAG? [AAG 12.54 and 13.16, examples 12-1-12-6 and 13-1-13-2]	_____	_____	_____

<sup>27</sup> If the financial statement(s) of the program present only the activity of the federal program, the auditor is not required to issue a separate report to meet the reporting requirements of GAS. However, if the financial statement(s) of the federal program present more than the program's activity the auditor should issue a separate GAS report and modify it so that it refers only to the financial statement(s) of the federal program (paragraph 13.10 of AAG).

<sup>28</sup> See footnote 21.

# FSP Section 14,500

## *Accountants' Reports on Compiled or Reviewed Financial Statements Checklist*

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid. Additionally, the *Compilation and Review Alert* (available at [www.cpa2biz.com](http://www.cpa2biz.com)) is published annually to provide CPAs with an update on recent practice issues and professional standards that affect compilation and review engagements. The alert is an *other compilation and review publication* as defined in AR section 50, *Standards for Accounting and Review Services* (AICPA, *Professional Standards*, vol. 2). Other compilation and review publications have no authoritative status; however, they may help the accountant understand and apply the Statement on Standards for Accounting and Review Services (SSARS).

.02 This checklist is not intended to address all the considerations if an auditor is engaged to compile or review special-purpose financial statements prepared to comply with a contractual agreement or regulatory provision that specifies a special basis of presentation. In most circumstances, these financial statements are intended solely for the use of the parties to the agreement, regulatory bodies, or other specified parties. Refer to paragraphs .59–.68 of AR section 100, *Compilation and Review of Financial Statements* (AICPA, *Professional Standards*, vol. 2), and SSARS Interpretation No. 28, "Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions" of AR section 100 (AICPA, *Professional Standards*, vol. 2, AR sec. 9100 par. .109–.119) for guidance about how the accountant should modify the standard compilation or review report when reporting on these special-purpose financial statements.

.03 Explanation of References:

SSARS = AICPA Statement on Standards for Accounting and Review Services  
AR = Reference to section number in AICPA *Professional Standards* (vol. 2)

.04 This checklist is divided into three parts. Part I should be used by accountants engaged to report on compiled financial statements or accountants that submit compiled financial statements to a client that are or reasonably might be expected to be used by a third party. Part II should be used by accountants that submit compiled financial statements to a client that are not reasonably expected to be used by a third party. Part III should be used if the accountant performs a review of financial statements. Paragraph .04 of AR section 100 defines the terms *compilation of financial statements* and *review of financial statements*.

.05 Checklist Questionnaire:

Yes    No    N/A

### **Part I—For Engagements to Report on Compiled Financial Statements or for Accountants That Submit Compiled Financial Statements to a Client That Are or Reasonably Might Be Expected to Be Used by a Third Party**

1. Is the compilation report appropriately worded to state
  - a. a compilation is performed in accordance with SSARSs issued by the AICPA?

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. a compilation is limited to presenting in the form of financial statements information that is the representation of management? [See paragraph .03 of AR section 300, <i>Compilation Reports on Financial Statements Included in Certain Prescribed Forms</i> (AICPA, <i>Professional Standards</i> , vol. 2), for reporting on financial statements included in a prescribed form, and the form calls for departure from generally accepted accounting principals (GAAP).]	_____	_____	_____
c. the financial statements are not audited or reviewed and, accordingly, the accountant does not express an opinion or any other form of assurance on them?	_____	_____	_____
d. a signature of the accounting firm or the accountant, as appropriate?	_____	_____	_____
e. the date of the compilation report (that is, the date of the completion of the compilation)? [AR 100.13–.17]	_____	_____	_____
2. Does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement? [AR 100.13]	_____	_____	_____
3. If the accountant chooses to emphasize a matter disclosed in the financial statements, such as a subsequent event that has material impact, is the explanatory information presented in a separate paragraph of the accountant's report? [AR 100.54 and .76]	_____	_____	_____
4. For compiled financial statements that contain departures <sup>1</sup> from GAAP or, where applicable, an other comprehensive basis of accounting (OCBOA)			
a. if the departure is the omission of substantially all required disclosures, does the accountant's report clearly indicate such omission? [AR 100.19–.21]	_____	_____	_____
b. if compiled financial statements that omit substantially all of the disclosures required by GAAP include disclosures about only a few matters, are such disclosures labeled "Selected Information—Substantially All Disclosures Required by GAAP (or, where applicable, OCBOA) Are Not Included"? [AR 100.19]	_____	_____	_____
c. if compiled financial statements that omit substantially all required disclosures are prepared on a basis of accounting other than GAAP, and if such financial statements do not include disclosure of the basis of accounting used, does the accountant's report disclose the basis of accounting? <sup>2</sup> [AR 100.20 and .22]	_____	_____	_____
d. if compiled financial statements contain a departure from GAAP or, where applicable, OCBOA, does the accountant modify his or her report to disclose the departure in a separate paragraph? [AR 100.56–.58]	_____	_____	_____

<sup>1</sup> Other than departures required by a prescribed form or related instructions when the accountant issues an AR section 300, *Compilation Reports on Financial Statements Included in Certain Prescribed Forms* (AICPA, *Professional Standards*, vol. 2), compilation report on financial statements included in a prescribed form.

<sup>2</sup> AU section 623, *Special Reports*, paragraphs .09–.10 provide guidance on evaluating the adequacy of disclosure in financial statements prepared in conformity with other comprehensive basis of accounting.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) If the effects of the departure on the financial statements are determined by management or are known as a result of the accountant's procedures, are these effects also disclosed in the modified report? [AR 100.57]	_____	_____	_____
(2) If the effects of the departure on the financial statements are not determined, does the accountant state this in his or her report? [AR 100.57]	_____	_____	_____
5. If the accountant is not independent with respect to the organization, does the last paragraph of the compilation report state, "I am (We are) not independent with respect to XYZ organization," and does the report exclude the reason for the lack of independence? [AR 100.23]	_____	_____	_____
6. Does each page of the financial statements compiled by the accountant include a reference such as "See Accountant's Compilation Report"? [AR 100.15]	_____	_____	_____
7. If the financial statements do not appropriately disclose an uncertainty, including an uncertainty about an entity's ability to continue as a going concern or an inconsistency in the application of accounting principles, does the report include a separate paragraph that discloses such matters? [AR 100.57 fn 30; AR 100.69-.72]	_____	_____	_____
8. If the financial statements appropriately disclose an uncertainty, including an uncertainty about an entity's ability to continue as a going concern, but the accountant further decides to include an emphasis of a matter paragraph with respect to the uncertainty in the accountant's compilation or review report, does the report use the language in SSARS Interpretation No. 29, "Reporting on an Uncertainty, Including an Uncertainty About an Entity's Ability to Continue as a Going Concern" of AR section 100 (AICPA, <i>Professional Standards</i> , vol. 2, AR sec. 9100 par. .120-.129) ? [AR 9100.123 and .127]	_____	_____	_____
9. If the basic financial statements are accompanied by information presented for supplementary analysis purposes, does the accountant clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information? [AR 100.83]	_____	_____	_____
10. When the accountant compiles both the basic financial statements and other data presented only for supplementary analysis purposes, does the compilation report or the separate report on the other data state that			
a. the other data accompanying the financial statements are presented only for supplementary analysis purposes?	_____	_____	_____
b. the information has been compiled from information that is the representation of management, without audit or review?	_____	_____	_____
c. the accountant does not express an opinion or any other form of assurance on such data? [AR 100.83]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. If the client does not provide a representation letter, were the matters discussed in paragraphs .86–.90 of AR section 100 considered in deciding whether it is appropriate to issue a compilation report? [AR 100.86–.90]	_____	_____	_____
12. If an audit or review engagement is changed to a compilation, does the report omit reference to (a) the original engagement, (b) any auditing or review procedures that might have been performed, and (c) any scope limitation that results in the changed engagement? [AR 100.91]	_____	_____	_____
13. If comparative financial statements are presented, does the accountant's report cover each period presented? [AR 200.02]	_____	_____	_____
14. If compiled financial statements that omit substantially all of the disclosures required by GAAP are presented with the comparative financial statements that previously included all disclosures, do all the periods presented also omit such disclosures? [AR 200.05]	_____	_____	_____
a. If the prior-period financial statements do not omit the required disclosures and the accountant is requested to compile statements for the same period that do omit those disclosures, does the accountant's compilation report include an additional paragraph that indicates			
(1) the nature of the previous service rendered (compilation, review, or audit)?	_____	_____	_____
(2) the date of the previous report? [AR 200.30–.31]	_____	_____	_____
15. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is the same as, or higher than, that performed on the prior period financial statements presented, is the report on the prior period updated? [AR 200.08–.10]	_____	_____	_____
16. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is lower than that performed on the prior period financial statements			
a. does the report on the current period include a separate paragraph that describes the responsibility assumed for the prior period?	_____	_____	_____
b. is the report on the current period accompanied by or combined with a reissued report on the prior period financial statements? [AR 200.08 and .11–.12]	_____	_____	_____
17. If the report requires a changed reference to a departure from GAAP regarding the prior period presented, does the report indicate			
a. the date of the previous report?	_____	_____	_____
b. description of the circumstances or events underlying the change?	_____	_____	_____
c. if applicable, that the prior-period financial statements are changed? [AR 200.14–.15]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. For comparative statements, if the current-period financial statements are compiled and the prior period financial statements are audited and the audit report is not reissued, does the current-period report include a separate paragraph that contains the following:			
a. A statement that the prior-period financial statements were audited previously?	_____	_____	_____
b. The date of the previous report?	_____	_____	_____
c. The type of opinion previously expressed?	_____	_____	_____
d. If the opinion is other than unqualified, the substantive reasons therefore?	_____	_____	_____
e. The fact that no auditing procedures were performed after the date of the previous report? [AR 200.29]	_____	_____	_____
19. If the financial statements of a prior period have been restated			
a. if the successor accountant is not engaged to report on the prior year financial statements and the predecessor accountant does not reissue his or her report, does the introductory paragraph of the report indicate that a predecessor accountant reported on the financial statements of the prior period before restatement?	_____	_____	_____
b. if the successor accountant is engaged to compile or review the restatement adjustment(s), does the report indicate that the adjustment(s) were applied to restate prior-year financial statements that were reported on by another accountant? [AR 200.25–.27]	_____	_____	_____

**Predecessor's Compilation Report**

20. If the predecessor accountant does not reissue his or her compilation or review report on the prior-period financial statements, does the successor accountant			
a. make appropriate reference in his or her report to the predecessor's report in accordance with paragraphs .16–.19 of AR section 200, <i>Reporting on Comparative Financial Statements</i> (AICPA, <i>Professional Standards</i> , vol. 2)? ( <i>Note:</i> The accountant should not name the predecessor accountant unless the predecessor's practice was acquired by, or merged with, that of the successor accountant.)	_____	_____	_____
b. perform a compilation, review, or audit of the prior period statements and report on them accordingly? [AR 200.16–.19]	_____	_____	_____

**Part II—If the Accountant Submits Compiled Financial Statements to a Client That Are Not Reasonably Expected to Be Used by a Third Party**

21. Has one of the following two options been performed:			
a. Issue a compilation report in accordance with the reporting requirements discussed in paragraphs .11–.21 of AR section 100 and therefore comply with the requirements of part I of this checklist?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Document an understanding with the entity through the use of an engagement letter, preferably signed by management, regarding the services to be performed and the limitations on the use of those financial statements? [AR 100.24]	_____	_____	_____
22. If the option to document an understanding is followed, does the documentation of the understanding include the following descriptions or statements:			
a. The nature and limitations of the services to be performed?	_____	_____	_____
b. A compilation is limited to presenting in the form of financial statements information that is the representation of management?	_____	_____	_____
c. The financial statements will not be audited or reviewed?	_____	_____	_____
d. No opinion or any other form of assurance on the financial statements will be provided?	_____	_____	_____
e. Management has knowledge about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of the financial statements?	_____	_____	_____
f. Acknowledgement of management’s representation and agreement that the financial statements are not to be used by third parties?	_____	_____	_____
g. The engagement cannot be relied upon to disclose errors, fraud, or illegal acts? [AR 100.25]	_____	_____	_____
23. If applicable, does the documentation of the understanding address the following matters:			
a. Material departures from GAAP or OCBOA may exist and the effects of those departures, if any, on the financial statements may not be disclosed?	_____	_____	_____
b. Substantially all disclosures (and statement of cash flows, if applicable) required by GAAP or OCBOA may be omitted?	_____	_____	_____
c. Lack of independence?	_____	_____	_____
d. Refer to supplementary information? [AR 100.25]	_____	_____	_____
24. Is a reference included on each page of the financial statements restricting their use such as “Restricted for Management’s Use Only,” or “Solely for the information and use by the management of [name of entity] and not intended to be and should not be used by any other party”? [AR 100.26]	_____	_____	_____

Part III—For Review Engagements

**Note:** An accountant is precluded from issuing a review report on the financial statements of an organization with respect to which he or she is not independent.  
[AR 100.53]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Is the review report appropriately worded to state that			
a. a review has been performed in accordance with SSARs issued by the AICPA?	_____	_____	_____
b. all information included in the financial statements is the representation of the management of the organization?	_____	_____	_____
c. a review consists principally of inquiries of organization personnel and analytical procedures applied to financial data?	_____	_____	_____
d. a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole and, accordingly, no such opinion is expressed?	_____	_____	_____
e. the accountant is not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with GAAP or, where applicable, with OCBOA, other than those modifications, if any, indicated in the report?	_____	_____	_____
f. a signature of the accounting firm or the accountant, as appropriate?	_____	_____	_____
g. the date of the review report (that is, the date of the completion of the review procedures)? [AR 100.46 and .49–.50]	_____	_____	_____
2. Does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement? [AR 100.46]	_____	_____	_____
3. If the accountant chooses to emphasize a matter disclosed in the financial statements, such as a subsequent event that has material impact, is the explanatory information presented in a separate paragraph of the accountant's report? [AR 100.54 and .76]	_____	_____	_____
4. If the accountant is not independent, is a disclaimer expressed and is a compilation report the highest level of service performed? [AR 100.23 and .53]	_____	_____	_____
5. For reviewed financial statements that contain departures from GAAP or, where applicable, OCBOA (including the omission of required disclosures), is the accountant's report modified to disclose the departure? [AR 100.56–.58]	_____	_____	_____
a. If the effects of the departure are determined by management or are known as a result of the accountant's procedures, are these effects also disclosed in the modified report? [AR 100.57]	_____	_____	_____
b. If the effects of the departure are not determined, does the accountant state this in his or her modified report? [AR 100.57]	_____	_____	_____
6. If the financial statements do not appropriately disclose an uncertainty, including an uncertainty about an entity's ability to continue as a going concern or an inconsistency in the application of accounting principles, does the report include a separate paragraph that discloses such matters? [AR 100.57 fn 30; AR 100.69–.72]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the financial statements appropriately disclose an uncertainty, including an uncertainty about an entity's ability to continue as a going concern, but the accountant further decides to include an emphasis of a matter paragraph with respect to the uncertainty in the accountant's compilation or review report, does the report use the language in SSARS Interpretation No. 29 of AR section 100? [AR 9100.123 and .127]	_____	_____	_____
8. Does each page of the financial statements include a reference such as "See Accountant's Review Report"? [AR 100.48]	_____	_____	_____
9. When the basic financial statements are accompanied by other data presented only for supplementary analysis purposes, does the review report or the separate report on the other data state that			
a. the review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformance with GAAP?	_____	_____	_____
b. the other data accompanying the financial statements are presented only for supplementary analysis purposes?	_____	_____	_____
c. if the other data was reviewed			
(1) the other data have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements?	_____	_____	_____
(2) the accountant did not become aware of any material modifications that should be made to such data?	_____	_____	_____
d. if the other data was compiled			
(1) the other data were compiled from information that is the representation of management, without audit or review?	_____	_____	_____
(2) the accountant does not express an opinion or any other form of assurance on such data? [AR 100.83]	_____	_____	_____
10. Did the client provide a representation letter? ( <i>Note:</i> If the answer is "no" the accountant is prohibited from issuing a review report. A compilation report may be appropriate in limited circumstances.) [AR 100.51]	_____	_____	_____
11. If an audit engagement is changed to a review, does the report omit reference to: (a) the original engagement, (b) any auditing or review procedures that may have been performed, (c) any scope limitation that resulted in the changed engagement? [AR 100.91]	_____	_____	_____
12. If comparative financial statements are presented, does the accountant's report cover each period presented? [AR 200.02]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
13. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is the same as, or higher than, that performed on the prior period financial statements, is the continuing accountant's report on the prior period updated? [AR 200.08–.10]	_____	_____	_____
14. For comparative statements, if the level of service performed by the continuing accountant on the current-period financial statements is lower than that performed on the prior period financial statements			
a. does the report on the current period include a separate paragraph that describes the responsibility assumed for the prior period?	_____	_____	_____
b. is the report on the current period accompanied by or combined with a reissued report on the prior period financial statements, which states that the accountant has not performed any procedures in connection with that review engagement after the date of his review report? [AR 200.08 and .11–.12]	_____	_____	_____
15. If the report requires a changed reference to a departure from GAAP regarding the prior period presented, does the report indicate			
a. the date of the previous report?	_____	_____	_____
b. a description of the circumstances or events underlying the change?	_____	_____	_____
c. if applicable, that the prior-period financial statements are changed? [AR 200.14–.15]	_____	_____	_____
16. If the financial statements of a prior period have been restated			
a. if the successor accountant is not engaged to report on the prior year financial statements and the predecessor accountant does not reissue his or her report, does the introductory paragraph of the report indicate that a predecessor accountant reported on the financial statements of the prior period before restatement?	_____	_____	_____
b. if the successor accountant is engaged to compile or review the restatement adjustment(s), does the report indicate that the adjustment(s) were applied to restate prior-year financial statements that were reported on by another accountant? [AR 200.25–.27]	_____	_____	_____
17. If the current-period financial statements are reviewed and the financial statements of the prior period presented are audited and the audit report is not reissued, does the current-period report include a separate paragraph that contains the following:			
a. A statement that the prior-period financial statements were audited previously?	_____	_____	_____
b. The date of the previous report?	_____	_____	_____
c. The type of opinion expressed previously?	_____	_____	_____
d. If the opinion is other than unqualified, the substantive reasons therefore?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. The fact that no auditing procedures were performed after the date of the previous report? [AR 200.29]	_____	_____	_____

**Predecessor's Review Report**

18. If the predecessor accountant does not reissue his or her compilation or review report on the prior-period financial statements, does the successor accountant
- make appropriate reference in the report to the predecessor's report in accordance with paragraphs .16–.19 of AR section 200? (*Note:* The accountant should not name the predecessor accountant unless the predecessor's practice was acquired by, or merged with, that of the successor accountant.)
  - perform a compilation, review, or audit of the statements of the prior period and report on them accordingly?
- [AR 200.16–.19]

<u>Yes</u>	<u>No</u>	<u>N/A</u>
_____	_____	_____
_____	_____	_____

**Interim Financial Information**

19. If, in conjunction with a filing with a regulatory agency in preparation for a public offering, the auditor is reviewing financial statements covering a period less than a full year or for a 12-month period ending on a date other than the organization's fiscal year, does the review report conform to paragraphs .02–.03 of AU section 722, *Interim Financial Information*?  
[AU 722.02–.03]

_____	_____	_____
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# FSP Section 14,600

## *Illustrative Financial Statements*

.01 The following illustrative auditor's report and financial statements (exhibits 1 and 2) demonstrate financial statement formats and disclosures appropriate for not-for-profit organizations. These illustrations are not intended to represent the *only* appropriate presentation and disclosure formats, however. Not-for-profit organizations are urged to develop financial statement formats that are appropriate for their individual circumstances while being consistent with the accounting and reporting practices promulgated. Furthermore, the illustrative financial statements do not include all disclosures and presentation items promulgated.

.02 Additional examples of financial statements and disclosures are found in the AICPA *Accounting Trends and Techniques—Not-for-Profit Organizations* (product no. 006616).

Independent Auditor's Report

The Board of Directors  
Big Brothers of Any County, Inc.

We have audited the accompanying statement of financial position of Big Brothers of Any County, Inc. (an Any State not-for-profit corporation) as of December 31, 20X7 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. *[Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we express no such opinion.]* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers of Any County, Inc. as of December 31, 20X7, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

[Signature]

[Date]



The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated.

.04

**BIG BROTHERS OF ANY COUNTY, INC.****Statement of Financial Position****December 31, 20X7****Assets**

## Current assets

Cash and cash equivalents	\$ 36,450
Contributions receivable (note 3)	42,100
Leasehold interest, current (note 4)	35,940
Prepaid expenses	3,800
Deposit	2,000
Assets to be disposed of (note 2)	<u>5,000</u>
Total current assets	125,290

## Noncurrent assets

Vehicles and office equipment (note 5)	26,400
Leasehold interest, noncurrent (note 4)	212,510
Investments (note 6)	<u>71,800</u>
Total noncurrent assets	<u>310,710</u>

## Total assets

\$436,000**Liabilities and Net Assets**

## Current liabilities

Accounts payable and accrued expenses	<u>\$ 34,500</u>
Total assets	<u>\$ 34,500</u>

## Net assets

Unrestricted	42,250
Temporarily restricted (note 9)	290,550
Permanently restricted (note 10)	<u>68,700</u>
Total net assets	<u>401,500</u>

## Total liabilities and net assets

\$436,000

The accompanying notes are in integral part of these financial statements.

.05

**BIG BROTHERS OF ANY COUNTY, INC.**

**Statement of Activities**

**Year Ended December 31, 20X7**

**Changes in Unrestricted Net Assets**

Unrestricted support	
Contributions	\$ 91,400
Donated goods and facilities	34,800
Donated services	4,500
Annual Gala revenues	36,200
Direct benefits to Gala attendees	<u>(14,000)</u>
Total unrestricted support, net	152,900
Other unrestricted revenues	
Program revenue	212,600
Investment income	<u>7,050</u>
Total unrestricted revenues, net of direct benefits	372,550
Net assets released from restrictions	
Expiration of time restrictions	<u>27,000</u>
Total unrestricted revenues and support, net of direct benefits	<u>399,550</u>
Expenses	
Big Brothers mentoring program	255,170
Big Buddy group activities program	80,130
Management and general	41,350
Fund-raising expenses	<u>46,050</u>
Total expenses	<u>422,700</u>
Write-down of facility equipment	<u>45,000</u>
Decrease in unrestricted net assets	<u>(68,150)</u>
<b>Changes in Temporarily Restricted Net Assets</b>	
Contributions	18,100
Donated facilities	248,450
Net assets released from restrictions	<u>(27,000)</u>
Increase in temporarily restricted net assets	<u>239,550</u>
<b>Changes in Permanently Restricted Net Assets</b>	
Contributions to endowment fund	10,000
Investment income	<u>500</u>
Increase in permanently restricted net assets	<u>10,500</u>
<b>Increase in Net Assets</b>	181,900
<b>Net Assets at Beginning of Year</b>	<u>219,600</u>
<b>Net Assets at End of Year</b>	<u><u>\$401,500</u></u>

The accompanying notes are an integral part of these financial statements.

.06

**BIG BROTHERS OF ANY COUNTY, INC.****Statement of Cash Flows****Year Ended December 31, 20X7****Cash Flows From Operating Activities**

Increase in net assets \$ 181,900

Adjustments to reconcile change in net assets to net cash used by operating activities:

Depreciation	8,500
Contributions restricted for long-term investment	(10,000)
Contribution of leasehold rights	(248,450)
Increase in contribution receivable	(3,100)
Increase in prepaid expenses	(2,000)
Increase in accounts payable and accrued expenses	8,300
Impairment loss on long-lived assets	45,000
Unrealized gain on investments	(4,000)
Interest and dividends restricted for reinvestment	<u>(500)</u>

Net cash used by operating activities (24,350)**Cash Flows From Investing Activities**Purchase of office equipment (6,500)**Cash Flows From Financing Activities**

Proceeds from contributions restricted for endowment fund 10,000

Interest and dividends restricted for reinvestment 500Net cash provided by financing activities 10,500**Net Decrease in Cash and Cash Equivalents** (20,350)**Cash and Cash Equivalents at Beginning of Year** 56,800**Cash and Cash Equivalents at End of Year** \$ 36,450**Supplemental data:**

Noncash investing and financing activities:

Gift of leasehold rights \$ 248,450

The accompanying notes are an integral part of these financial statements.

.07

**BIG BROTHERS OF ANY COUNTY, INC.****Statement of Functional Expenses****Year Ended December 31, 20X7**

	<i>Program Services</i>		<i>Supporting Services</i>		
	<i>Big Brothers</i>	<i>Big Buddy</i>	<i>Management and General</i>	<i>Fund- Raising</i>	<i>Total</i>
Salaries	\$147,400	\$49,600	\$22,000	\$22,000	\$241,000
Rent	22,200	14,300	3,000	3,000	42,500
Insurance	19,800	2,200	2,300	2,300	26,600
Payroll taxes	12,870	4,330	1,900	1,900	21,000
Outside services	7,000	1,000	—	9,000	17,000
Telephone	9,000	500	1,500	1,500	12,500
Office supplies	7,800	700	2,000	1,500	12,000
Depreciation	4,000	2,000	1,250	1,250	8,500
Maintenance	4,600	1,000	900	900	7,400
Dues	5,600	1,400	—	—	7,000
Accounting and legal	—	—	4,500	—	4,500
Postage	5,800	400	1,100	1,800	9,100
Advertising and recruitment	3,000	600	—	—	3,600
Mileage	1,500	500	300	300	2,600
Newsletter	1,800	700	—	—	2,500
Awards and recognition	2,000	500	—	—	2,500
Miscellaneous	800	400	600	600	2,400
	<u>\$255,170</u>	<u>\$80,130</u>	<u>\$41,350</u>	<u>\$46,050</u>	<u>\$422,700</u>
Meals and entertainment at Gala					<u>14,000</u>
Total					<u>\$436,700</u>

The accompanying notes are an integral part of these financial statements.

.08

**BIG BROTHERS OF ANY COUNTY, INC.****Notes to Financial Statements****For the Year Ended December 31, 20X7****Note 1: Nature of Organization and Significant Accounting Policies**

Big Brothers of Any County, Inc. (the organization) is a nonprofit organization dedicated to helping single-parent children in southeastern AnyState by building friendships with screened adult volunteers. The organization focuses mainly on matching adult volunteers and children based on common interests and the child's specific needs. The Big Brothers Mentoring Program matches children with adult volunteers on a one-to-one basis. The Big Buddy Program offers monthly group activities, including Outreach Sports Tournaments, for children on the waiting list. Revenues are derived principally from the organization's programs and from contributions.

*Support and Expenses.* Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

*Donated Services, Goods, and Facilities.* The organization's success in conducting its mission is highly dependent on attracting committed men from Any County to serve as volunteer mentors to their Little Brothers or as volunteer activity coaches in the Big Buddy Program. A substantial number of volunteers have donated approximately 20,000 hours to the organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

*Conditional Promises to Give.* As of December 31, 20X7, the organization had received conditional promises to give aggregating \$13,000 that are contingent upon the organization's raising matching corporate gifts.

*Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents.* Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days except if those instruments are used to temporarily invest endowment funds until appropriate investments are identified.

*Investments.* Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or

loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

*Concentrations of Credit and Market Risk.* Financial instruments that potentially expose the organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The organization has not experienced any losses on its cash equivalents. The organization's investments do not represent significant concentrations of market risk inasmuch as the organization's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

*Vehicles and Office Equipment.* Vehicles and office equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method.

*Advertising Costs.* Advertising costs are expensed as incurred.

*Income Taxes.* The organization is a nonprofit corporation whose revenue is derived from contributions and other fund-raising activities and is not subject to federal or state income taxes.

**Note 2: Assets to Be Disposed Of**

In January 20X7, management decided to dispose of the organization's arcade-game equipment due to the age and poor condition of the equipment. In connection with that decision, the organization incurred a \$45,000 charge to write down the arcade-game equipment to fair market value less costs to sell. The arcade-game equipment is expected to be disposed of by March 31, 20X7. After the write-down, the equipment is recorded in unrestricted net assets at \$5,000 and is no longer being depreciated.

**Note 3: Contributions Receivable**

Contributions receivable (in less than 1 year)	\$52,600
Less allowance for uncollectible contributions	(10,500)
	<u>\$42,100</u>

**Note 4: Leasehold Interest**

In December of 20X7, the organization received a contribution of leasehold rights for 3,000 square feet of office space for a 10 year term. The organization's monthly rent under a signed lease agreement is \$5 per month. The present value of the fair market rent of \$3,000 per month over the lease term, which was determined using an 8 percent discount rate, has been recognized as temporarily restricted support in the current year. The amounts are classified as follows:

Future leasehold rights	\$248,450
Less current portion—12 months	(34,940)
Leasehold interest—noncurrent	<u>\$212,510</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year Ending December 31,</u>	<u>Amount</u>
20X8	\$ 35,940
20X9	35,940
20Y0	35,940
20Y1	35,940
20Y2	35,940
Thereafter	179,710
Discount to be recognized as additional contributions	(110,950)
	<u>\$248,450</u>

**Note 5: Vehicles and Office Equipment**

Office equipment	\$29,500
Leasehold improvements	12,400
Vehicles	<u>14,300</u>

	56,200
Less accumulated depreciation	<u>(29,800)</u>
	<u>\$26,400</u>

**Note 6: Investments**

Investments, stated at fair value, at December 31, 20X7, include:

Equity securities	\$61,800
State of Israel bonds	<u>10,000</u>
Long-term investments	<u>\$71,800</u>

Investment income from cash equivalents and investments is comprised of the following for the year ended December 31, 20X7:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$3,050	\$500	\$3,550
Net unrealized gains	<u>4,000</u>	<u>—</u>	<u>4,000</u>
Total	<u>\$7,050</u>	<u>\$500</u>	<u>\$7,550</u>

**Note 7: Lease Commitments**

The organization leased its Any City office facilities under a noncancellable operating lease that expired December 31, 20X7. Rental expense for the year ended December 31, 20X7 including common area expenses was \$42,500.

In December 20X7, the organization signed a lease agreement for contributed office facilities for a term of ten years. The organization may cancel the lease at any time with a 30-day notice. See also note 4.

**Note 8: Functional Allocation of Expenses**

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

During 20X7, the organization conducted program activities that also included requests for contributions. Those activities included requesting contributions at the Outreach Sports Tournaments and through direct mail campaigns. The costs of those activities included a total of \$27,000 of joint costs, which were not specifically identifiable to either the program component or the fund-raising component of the activities. These joint costs were allocated \$15,000 to program activities and \$12,000 to fund raising.

**Note 9: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following specific program services:

Contributions receivable from the Combined Federal Campaign	\$ 18,100
Other time-restricted contributions receivable	24,000
Donated facilities available for future years	<u>248,450</u>
	<u>\$290,550</u>

**Note 10: Permanently Restricted Assets**

Permanently restricted assets of \$68,700 are restricted to investments in perpetuity, the income from which is expendable to support the Big Brother Outreach Campaign.

**Note 11: Litigation**

In November 20X7 a legal action was filed against the organization by a former employee alleging wrongful termination and other charges. The plaintiff is seeking \$2,000,000 in damages. The organization believes the claim is without merit and has not accrued any loss contingency. While the organization

believes it has excellent defenses against the suit, the ultimate resolution of the matter, which is expected to occur within 1 year, could result in a loss of up to \$300,000 after insurance coverage.

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